The MAGAZINE of WALL STREET and BUSINESS ANALYST

MAY 14, 1955

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★ PROSPECTS For AUTO-ACCESSORIES-TIRE

Parts 7 & 8 of Our Series:
Industrial-Investment Appraisal
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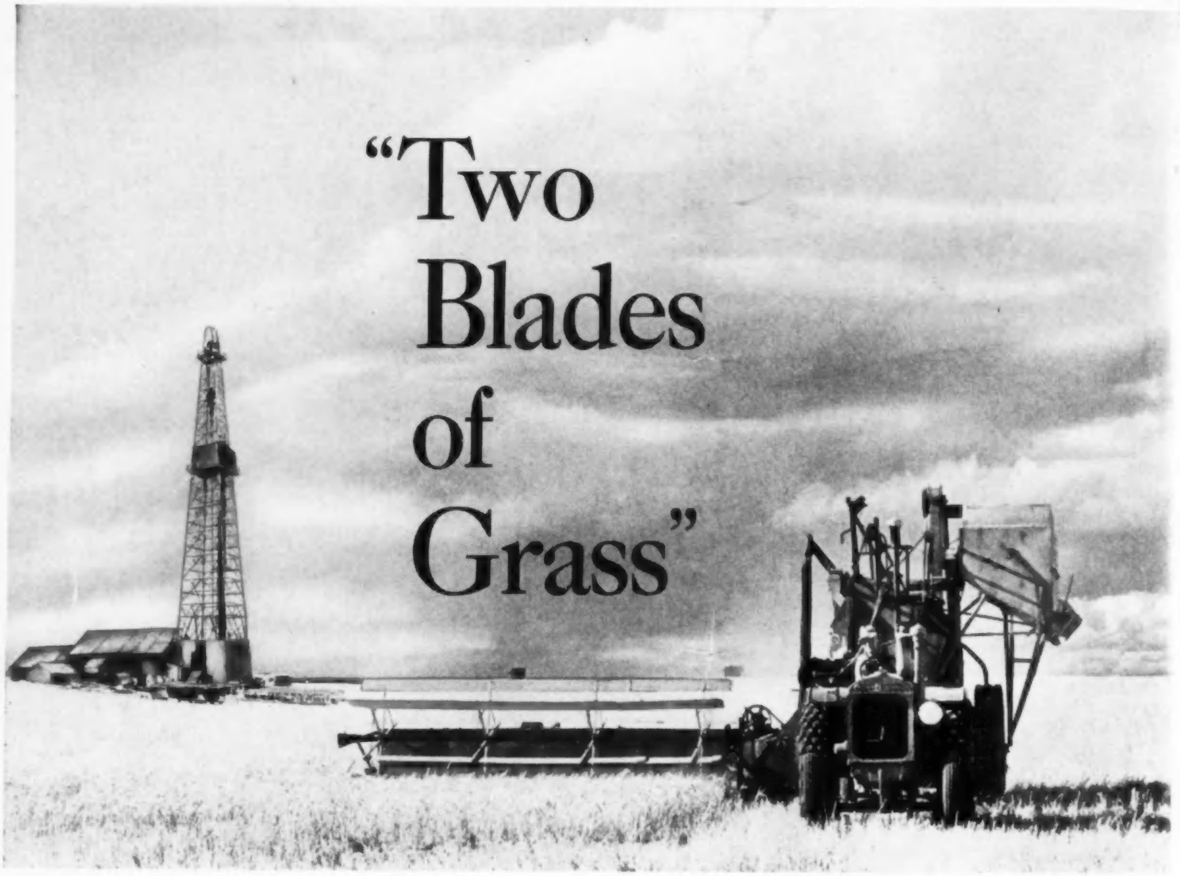
DO FIRST QUARTER EARNING REPORTS TELL THE STORY FOR 1955?


"Two
Blades
of
Grass"

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureaus of Circulations

Vol. 96, No. 4 — May 14, 1955

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A LOOK INTO THE FUTURE—The hollow tube, held by a Bell Telephone Laboratories engineer, is an experimental Waveguide for telephone service and television. It's not as large as it looks here. (Actually, only two inches in diameter.) Some day it may be no thicker than a fountain pen.

The NEW LOOK in Telephone and Television Transmission

THE NEW WAVEGUIDE *is constructed of thin copper wire, tightly coiled. It is flexible, can operate at high frequencies, and channel radio waves any way that it is bent.*

There's many a new thing in the telephone business these days and many more interesting developments coming along.

One of these developments is a new and different medium for transmitting telephone conversations and television programs over long distances, announced recently by Bell Laboratories. It's the long distance Waveguide.

Recent experiments indicate that it may some day carry tens of thousands of cross-country telephone conversations and hundreds of television programs at one time—and thus supplement coaxial cable and radio relay.

Waveguides have been used for some time but for short distances only. What makes the Bell System's new Waveguide so important is that it is practical for long distances.

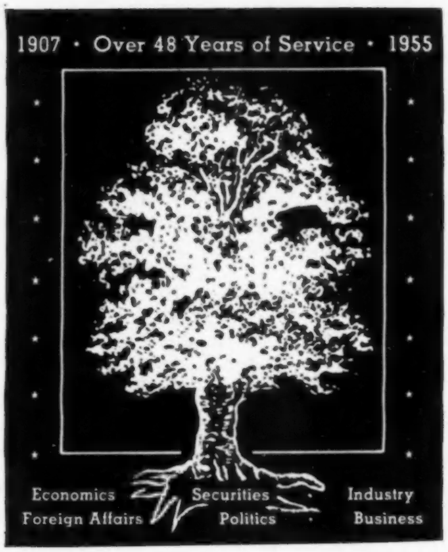
It can operate at extraordinarily high frequencies with small loss in reception. And though solid metal pipe may continue to be used in straight sections, this completely new Waveguide, being flexible, will be able to carry signals around curves.

It is another example of looking ahead in the telephone business and the never-ending progress in providing better service for more and more people.

BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* — E. D. KING, *Managing Editor*



The Trend of Events

SUCCESS OR FAILURE, legislatively, of a session of Congress is almost as much a state of mind as it is a matter of box-scoring the happenings, and the background of domestic and foreign happenings bears on whether the ultimate decision is entered "good" or "bad." There are times which call for cautious handling of congressional business and the legislators are judged for conservative restraint as well as for volume of action, and today presents such a picture; there are other times when flamboyancy is the watchword, where free-swinging bill passing and a come-what-may spirit rules—the first 100 days of FDR's first term for example.

Unless the 84th Congress veers sharply from the course it set last January, its record will be one that will neither bring down upon its members the stigma of "do nothing Congress" nor fire the imagination as did the early Roosevelt period. Some of the legislation inevitably will be kicked up and down the country come the next election: individual items, not always the same ones in all places, not the whole program and, certainly, not the entire Congress.

This year, the lawmakers will pass appropriations bills and in the process will effect an economy here and there and passive indorsement from the country as a whole. It will add a few activities and finance them, so that money-wise things will level off in the overall. Unless war comes to the country, defense will cost about the same amount but emphasis will shift to the machinery of war and there will be less of uniformed manpower. Congress shows no disposition to try cleaning up the world trade issues and won't make a definitive start of proportions likely to anger anybody, or please anybody. Against the backdrop of global imponderables Congress obviously aims to satisfy the nation by keeping the federal estate in order: good housekeeping throughout, never forgetting to have the insurance paid up and in force.

CAN THE AID PROGRAM WORK IN ASIA? . . . Timed to influence the non-communist leaders gathered at the Bandung Conference, the President has recommended that $2 billion out of the $3.5 billion foreign aid program be allocated for economic aid to the "arc of free Asia". The President, as are all who are informed on the subject, is well aware that many obstacles confront the new United States program. Yet, he feels impelled to take this step for fear that otherwise the race between the free and communist worlds for the allegiance of the still uncommitted nations may be lost.

No one can question the urgent need which we in the United States have of retaining the friends we now have in Asia and making new friends among those nations which have not as yet judged it necessary to stand at our side. Yet, our experience in Europe should show that we do not gain friends solely by offering aid. And, it may well come to pass, that despite the vast aid we are about to extend to the free nations of Asia, we may not have any better luck in securing their firm support and

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: :1907—*"Over Forty-seven Years of Service"*—1955

cooperation than we had with the recipients of our generosity in Europe. Probably, the best thing we can do is to resign ourselves to the prospect of granting more aid, but without any expectation that our motives will be understood, or that our efforts will be appreciated.

A MILESTONE IN INDUSTRY . . . The relentless search by American corporations to adapt themselves as quickly as possible to increasingly rapid and revolutionary developments in the field of industrial application of atomic energy springs from their awareness that the new source of energy is destined to exert a most profound effect not only on the economy, as a whole, but on the individual corporations themselves.

In recognition of the spreading interest of private industry in the practical possibilities of nuclear energy, the Atomic Energy Commission has recently prepared rules and regulations for companies seeking licenses for building and operating atomic plants. Certain operational safeguards are laid down in these rules and financial restrictions are imposed. The significance of the Commission's move is that, for the first time, it imposes a series of controls over industry adapting nuclear energy to non-governmental as well as governmental use. As such, it must be construed as official recognition that private industry is planning to enter the atomic energy field on a large scale.

While much has already been written on the application of atomic energy to industrial use, it is probably true that the great majority of people do not yet realize to what extent this new source of power will transform industry. But, leaders in growing numbers in all branches of industry do realize its significance with respect to its enormous potentialities which, undoubtedly, with the passage of time will alter the relationship of industries and of companies within industries.

During the past two hundred years, there have been many revolutionary discoveries which have had a total impact on the economy of nations: the steam engine, electricity, the automobile, to mention those most familiar. But, the nuclear revolution is bound to outstrip all these others in its economic effects.

In the light of new developments now pressing hard on the industrial use of atomic energy, investors, as well as industrial executives, are vitally concerned with the nature of coming changes. In all likelihood, the pattern of investment thinking in future years will be transformed and old investment standards will lose much of their former values.

Those companies which have identified themselves in an important way with atomic energy, whether in the manuacture of the new type of equipment required, or in the harnessing of the new energy to their plants, are certain to receive favored investment attention. Those companies which are adversely affected by the new form of competition and which are unable to benefit from the changes will gradually lose the favor of investors. All this will take time, of course, but the pattern of the future has aready become visible though the details cannot be known until industry has had greater experience with atomic energy.

In any case, it behooves the investor to take note of the changes which are in the making and prepare to adjust his programming accordingly. While it is still too early to tell precisely what the position of each and every company will be under the impact of the Atomic Age in Industry, it is not too early for the investor to be cognizant of the fact that in the long run this great revolution will affect the value of his investments. For investors who are not too old to benefit from making these necessary adjustments, which will be some years in the making, much material success will come from opening their gaze to the prospects ahead.

REASON AND NATURAL GAS—Several weeks ago the mayor of New York, leaving for Washington to testify against the Harris Bill to relieve the Federal Power Commission of its unwanted power to set prices for natural gas in the fields where it was gathered, proclaimed that he was racing to head off a \$20-million-a-year increase in the city's gas bills.

New York isn't the United States, of course, and some mayors may have better judgment. Nevertheless, it is worthwhile to examine the truth of the matter, because irresponsible agitation may well deprive the populous areas far from gas-producing regions of any natural gas at all.

The facts are simple and impressive:

1. The vast natural gas network now in existence, which has reduced gas prices and increased gas use wherever it had spread, came into existence under the very conditions enemies of the Harris Bill now contend will be disastrous. That is, owners of wells, producing either gas alone or gas and oil, bargained without restraint with the local and regional pipelines which in turn dealt with the big transcontinental lines which transmit the gas in interstate commerce.

2. The Federal Power Commission has never asserted, and never exerted, the power to intervene in the risky business of regulating gas at the well source. Its only order was one to freeze rates where they were when the Supreme Court issued the Phillips Petroleum case decision which foisted this jurisdiction on the FPC against its will.

In the face of these facts, the cry which has been raised, that the Harris Bill restoring the *status quo ante* the Phillips decision, removes the teeth of the Natural Gas Act of 1938, is ridiculous. What the Phillips decision did was to force upon the FPC an ill-fitting denture it has since been trying to remove.

Considering the processing, transport, mingling for uniformity, and distribution which gas must undergo on its journey from the well-head to the kitchen range, natural gas is no more than the raw material of the cooking gas one uses. When a Government-sponsored royalty of coal, which used to be the sole raw material of consumers' gas, sparked a 60 per cent rise in that fuel's price between 1945 and 1950, the self-styled liberals who are opposing the Harris Bill didn't have a word to say. Perhaps that was because the benefit of that raise, which actually took place, went to the credit of a powerful labor leader. If there is a rise in the price of natural gas after the Harris Bill is passed, risk-takers are more likely to benefit.

It is time for an earnest warning that defeating the Harris Bill will be bad for investors and worse for the gas consumers who will surely find themselves cut off from sup- (*Please turn to page* 272)

As I See It!

By CHARLES BENEDICT

NEHRU'S POLICIES DISAVOWED

The first international conference of Asian and African nations held last month in Bandung, Indonesia, supplied an irrefutable proof that India's Premier, Pandit Nehru, is not a leader or even a spokesman for the people of Southeast Asia, as his friends in the United States would like us to believe. Nehru lacks both the vision and the courage of his great master, Gandhi. At Bandung, Nehru not only missed every opportunity to prove himself the leader of Free Asia, but put on a most disappointing performance by coming to the rescue of his old friend, Red China's Premier Chou En-lai.

HIS SOUNDING BOARD BACKFIRED

Loring, in the Providence Evening Bulletin

Thanks to the vigorous views of the Pakistanis, the Iraqis, the Filipinos, the Thais, the Ceylonese, and other delegations — to name only a few—Red China's Premier was on the run as the representative of the new colonialism which the Free countries of Asia branded as equally obnoxious and far more dangerous than the old form now in retreat. In patching up the differences, Nehru learned a good lesson about the vigor of anti-communist sentiment in Asia and Africa.

Briefly, Nehru failed in almost anything that he attempted to do. His childish impatience and ill-temper towards those who opposed his views were further evidence that he can never take the place of Gandhi even in his own country. The real hero of the Conference was Ceylon's Premier Kotelawala, who proved that the Asians and Africans are not so absorbed in their struggle for daily bread that they are willing to forget all about each other's freedom. It goes without saying that the free nations of Asia were not taken in by Nehru's whitewashing of the communists. Nehru's candidacy for leadership of Free Asia suffered an irreparable setback, and the creation of an Afro-Asian bloc is today farther off than it was before Bandung.

In view of what happened in Bandung, there is ground for satisfaction that Washington's Asian policies have not followed Nehru's views, despite the urging of many prominent people who claim to know what Asia thinks. Let us also hope that the lesson of Bandung will not be lost on our Number One Ally, the British. For some time now, London has been trying to build up Nehru's leadership in Asia and at the same time to placate him. The underlying reasons are probably the desire to preserve the Commonwealth organization from which the British have been deriving prestige and certain economic and financial advantages.

The new prime minister, Sir Anthony Eden, who lacks the stamina, imagination, and convictions of his outstanding predecessor, has gone even as far as subscribing to the "Panch Sila". These are the five principles of co-existence with the communists which Nehru, always the starry-eyed idealist, is promoting as the basis of an international code of good behaviour. The Australians and the New Zealanders received this action of Sir Anthony's with great dismay. The passage last week by Australian Parliament of a bill authorizing overseas peacetime military service and civil defense preparations for atomic attack was an evidence how little confidence Canberra has in London's pro-Nehru policies.

British diplomacy prides itself on its long experience in Asian affairs and on its ability to read "the signs of the times" better than Washington. This may be so. But the blunders made by London in Manchuria in the early 'thirties and its record in Munich show that British statesmen can misread the signs as badly as anyone else. The point is, however, that the British, in their efforts to strengthen Nehru's position in Asia, are trying to win Washington over to their own views on coexistence and the neutralist bloc. As always they are pursuing this objective with persistence and great skill, and it is to be regretted that they have already won many supporters for their cause, even among some of our great metropolitan dailies.

We are sorry to report that the editorial policy of one of these newspapers has become so outspokenly pro-British that no occasion seems to be missed to propound British views and play up presumed British ability to size up the underlying factors in the foreign situation. In one recent editorial in which Sir Winston Churchill was deservedly eulogized, a statement was made that "only England could produce a man like Churchill." No mention was made of the fact that Churchill's mother was American and that it might have been his combined Anglo-American ancestry that made him great.

But this is merely in passing. The point is that the American public should be aware of the fact that it is being conditioned subtly and persistently to accept British views on co-existence and on appeasement of Nehru.

Market Continues Uncertain

Current market performance is indecisive. Money-rate factors and doubts about second-half economic activity argue for restraint. The general market level is not a great distance from over-valuation, though it could rise further. This is a time for increasing conservatism and selectivity in portfolio management.

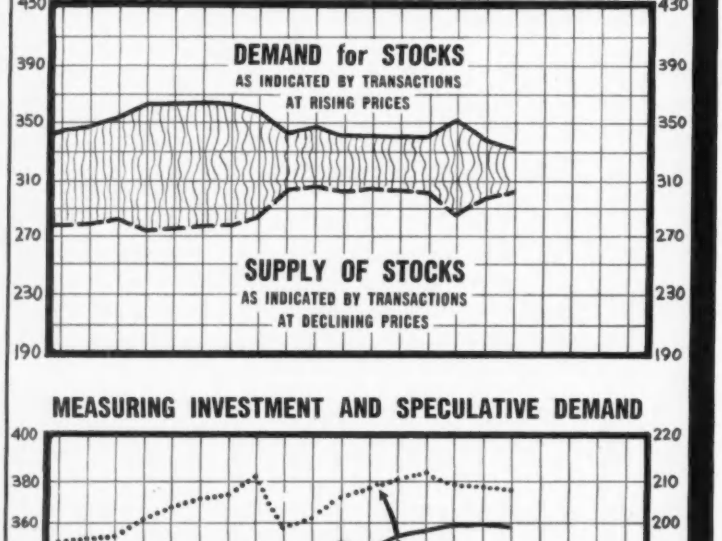
By A. T. MILLER

In a highly mixed market, the over-all movement of stock prices was moderately downward over the last fortnight, with investment and speculative enthusiasm generally subdued, the prevailing mood hesitant and uncertain. The bull-market highs to date were recorded early in this period (April 26) by the Dow industrial and rail averages, that of the utility averages as far back as March 4. Additionally reflecting increased uncertainty, recent trading volume has been fairly restricted, although more so on minor day-to-day rallies than in downside sessions.

So far as the averages are concerned, all of the small reaction to date from the April 26 highs had been seen by the forepart of last week, but subsequent rallying tendencies were moderate, throwing little or no light on near-term possibilities. A period of restricted fluctuation in the averages, and of numerous cross-currents within the list, would seemingly be more in keeping with the present hesitant mood of traders and investors than either strong advance or important decline.

Some Technical Indications

In six trading sessions April 27-May 4 the industrial average fell 8.10 points, cancelling less than a fifth of the March 14-April 26 upswing of 39.28 points. For comparison, in six sessions March 7-14 it fell 28.32 points, cancelling the bulk of a January 18-March 4 rise of 31.48 points; and in ten sessions January 4-17 it fell 20.69 points, cancelling over 36% of the prior leg of advance of 56.75 points from late October, 1954, into the initial 1955 trading session. Thus, the evidence so far suggests less technical vulnerability at the April 26 high than at the preceding intermediate highs from which substantial sell-offs developed.

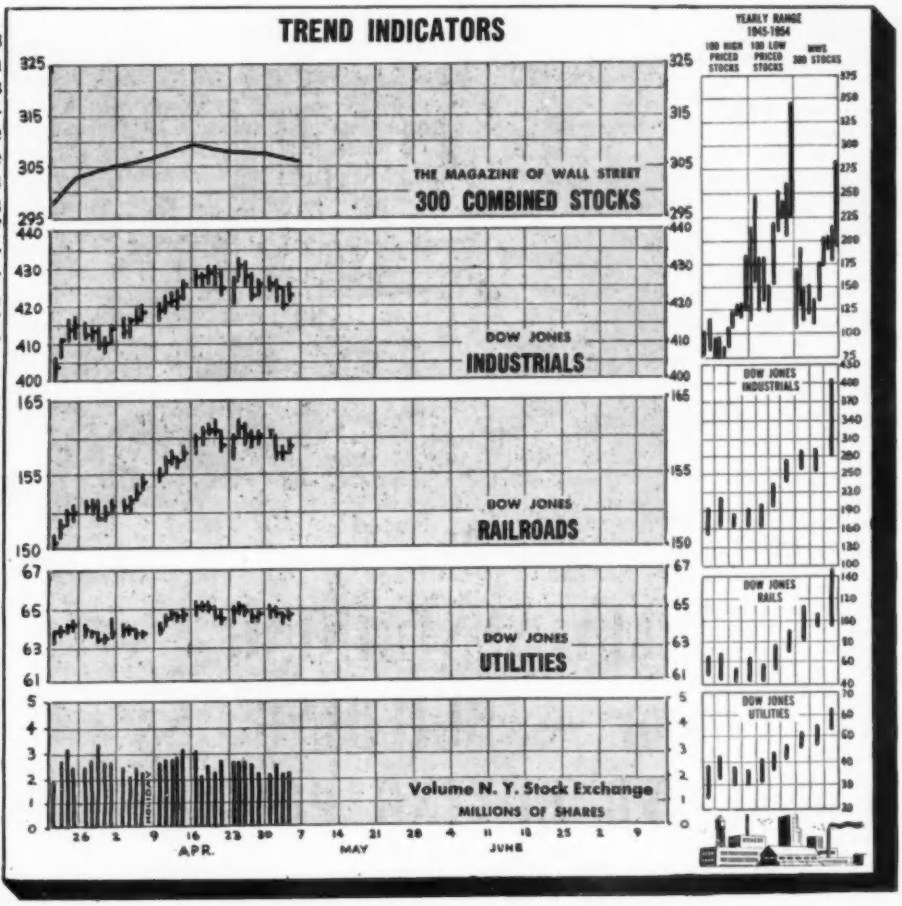


Of course, this tentative conclusion may still be subject to test, although there was nothing either in recent recession or the rallying tendencies late last week to give any comfort to the bear side. Bearing on it, however, it should be noted that the quality of the leadership on the March-April rise was, on the whole, considerably better, and speculative tendencies less vigorous, than in the prior 1955 phase of advance or on the over-fast rise in the late 1954 months and running to January 3.

If there is to be some further downward move in the averages, it ought to come without much delay. Late-spring reactions, following large advances, have been fairly common in market history, whereas seasonal market tendencies have been upward within the summer (July-August) period much more often than not. The latter potential this year might be restricted, given either further May-June advance or absence meanwhile of enough correction to provide a better technical springboard for

seasonal summer rise.

Despite some instances of poor reports, which have put affected stocks down considerably, first-quarter earnings have made a highly favorable over-all showing. Reports of nearly 1,000 companies show an average gain of about 27% from a year ago. Since second-quarter business activity will be somewhat above that of the first quarter, first-half earnings will be of boom proportions. This suggests aggregate first-half profits at an annual rate of close to $23 billion, compared with a rate of $17.5 billion in the first six months of last year.



If that pace could be maintained, 1955 earnings would reach a new peak, moderately exceeding the previous record of $22.1 billion set in 1950. However, it appears quite unlikely that it can be maintained—and that is a principal basis for increased uncertainty confronting the market. The fact is that the strong upsurge of activity in a number of key lines of business, especially automobiles, residential construction and steel, has necessarily "borrowed" from future business potentials, making it probable that we are now at or very close to this year's peak production level, raising a question as to when, and under what conditions, this spring's top business level might be bettered in 1956.

Allowing for about a 10% rise in 1955 dividends, which is somewhat more than the year-to-year rate of gain so far this year, representative industrials are on a yield basis around 4.25%. On this yield, its spread over bond yield and on average price-earnings ratios, the market is still at an appreciably lower level of valuation than it was at the 1929, 1937 and 1946 major tops. In general, stocks are neither extreme nor cheap, but they are nearer the former status than the latter. The advance might go at least moderately further. The further it goes, the closer will it approach untenable extreme. While nobody can pinpoint the top, it stands to reason that "the cream" is out of this bull market.

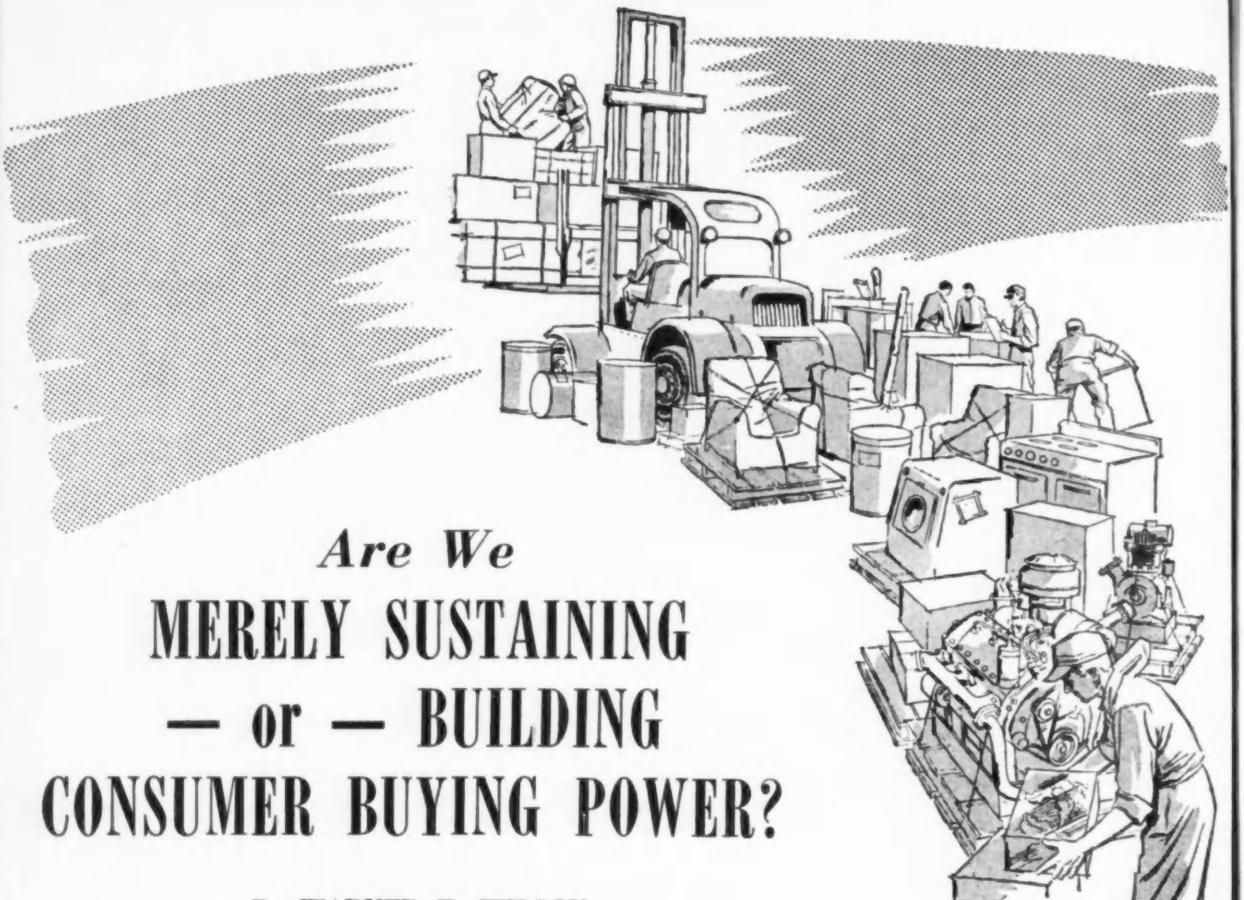
The Sensible Policiy Now

Under anything like existing conditions, you need not allow for depression or a major bear market. But business recessions more or less on the order of those of 1948-1949 and 1953-1954 have not been "outlawed"; and neither have lesser bear markets more or less on the order of those of 1946-1947, 1948-1949 and 1953. They lowered the Dow industrial average by 23%, 16% and 13%, respectively; and most speculative stocks by far wider percentages.

It comes down to this: The genuine long-pull investor, who holds good stocks which were bought at advantageous levels, is in a comfortable position. New long-pull buying can either be continued on a dollar-averaging basis, which limits risks and is the institutional method; or it should otherwise be limited and highly selective; or it should be deferred to a more opportune time. Those who are not genuine long-pull investors, those who aim at profiting in the rest of this bull market, are, as we have said before, skating on thinner and thinner ice.

This is a time to think more about preserving capital, less about making medium-term stock-market money; a time to strengthen portfolios by shifting partially into bonds or good preferred stocks and/or high grade income stocks; a time for progressive reduction of speculative risk. The latter can be done by part or full profit taking in amply priced stocks, especially those of cyclical type. Profit can also be protected by buying a "put" from an option dealer guaranteed by a Stock Exchange house. For a specified sum the option broker contracts to buy from you a specified number of shares of a specified stock at a specified price at a specified future time. Most generally the latter is one to three months ahead. Depending on the stock and the time period of the contract, the cost of this protection per 100 shares may run from less than $200 to over $1,000.

—Monday, May 9



Are We

MERELY SUSTAINING — or — BUILDING CONSUMER BUYING POWER?

By WARNER T. WILSON

What all of us in America want to know is: just how strong is the American economy? Is the present rapid pace of industry and business transitory? Is the base of the economy steadily broadening or are we talking ourselves into believing this is so, without knowing enough of the salient facts?

Most important of all the questions to which businessmen and investors are seeking an answer is: on what does the economy truly depend to provide that dynamism without which future needed growth is impossible?

To this latter question an answer can be given and that is that *Volume* holds the secret of the American business future. But, in our economy, the consumer determines volume. Hence, a study of the position of the consumer, his attitudes on spending and savings is all-important and never more so than at the present.

Every businessman now knows this to be true. Therefore, in response to the needs and appetites of the consumer, business and industry is straining every nerve to produce new styles and new products.

Not only must business give the consumer what is newest and best but it must give it to him at a price that will appeal. That is why the enormous increase in the number of "discount" houses has had such a telling effect for they have an important part in making it possible for consumers to buy at reasonable prices and this, in turn, has affected the entire retail price level. Hence, goods in increasing volume have moved from the manufacturer to the retailer's shelves. This is a highly important development in retail sales and has permeated the entire field of selling.

The consumer forces the pace not only because he earns more but because he has increasing leisure in which to spend the money he earns. This freedom has created and continues to create entirely new industries. The shortening of working hours has had a profound effect on care, on clothing styles, on sports and amusements, on food, on hotels and on cultural activities. But, it has also made the home more important. Therefore, new furnishings and equipment are designed to add to comfort and pleasure. All this has added to the volume of an ever-expanding industry, which each year adds more billions to outlays for plant and equipment.

It can be seen that we are laying down a sufficiently strong foundation to make the consumer buying a real and decisive force. As a matter of fact, the inherent strength of consumer buying power was the main factor in bringing the recent business adjustment to a quick end. To what extent, however, can we rely on the continuity of the expansionary potentials in consumer buying? This can best be determined by an examination of all the factors which constitute consumer buying power, evaluating all the elements realistically.

One thing it is important to realize and that is that our industrial capacity has grown to such

tremendous dimensions, and is still growing, that buying power must increase along with it and in similar proportions if our industrial machine is to function smoothly. Some have estimated that we will need a rise of $40 billion in consumer buying power next year to keep our plants on a prosperous level. Only in this country, could the possibility of such an enormous rise be discussed as a realistic proposition.

During the recession that began in the middle of 1953 and ran through the middle of 1954, one key measure of business conditions refused to go down. That measure was retail trade, or, in the complicated language of national accounting, "personal consumption expenditures". In retrospect, the strength of consumer demand reflected in these statistics played a leading role in limiting the recession to a relatively minor and shortlived downturn. In fact, by the third quarter of 1954, when the recession reached its trough, consumer spending was running at an annual rate some $4 billion above its rate at the peak of the 1953 boom.

Role of Consumer Expenditures

If consumer expenditures, as they are reflected in the retail trade statistics, did no more than arrest the recession, they would certainly be entitled to some respectful additional analysis. Actually, their role in recent months has been even more sensational. In December, they climbed to a record $15.1 billion in that month alone, fully 9% above the very satisfactory rate of December, 1953. By so doing, they changed a hesitant stability in general business conditions into a recovery. Again, in March of this year they soared across the $15 billion mark, and this time they turned recovery into a full-scale boom of impressive dimensions. It is not much of an oversimplification to say that consumers and their behavior at the nation's retail counters have been the dominant element in the business trend for the past year.

Where does this abundant strength of consumer demand come from? Has something radical happened to retail demand? Can its current strength be counted on in the future, or is it likely to evaporate when it is most needed? Is the record of the last year a flash in the economic pan, or is it here to stay? And if it is permanent, what implications does it have for general business in the future?

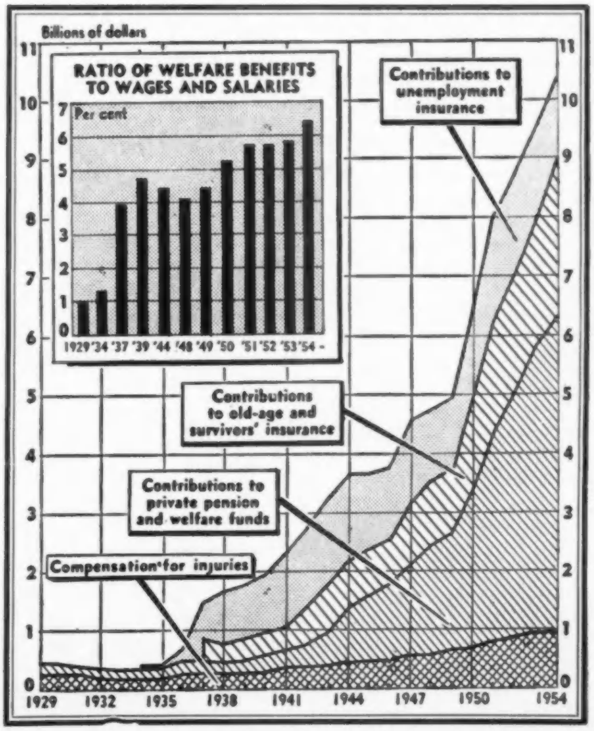
By all indications, the enormous American market for retail goods is no transient phenomenon, but a permanent, built-in characteristic of postwar America. Admitting that the course of retail trade is not destined to be forever upward, a group of very encouraging conclusions can now be drawn about the character of the American consumer goods market. First, it is as big as the current figures indicate; that is, the current records do not reflect scare buying or any other unusual and abnormal influence. Secondly, with some qualifications it can be said that consumer demand is now substantially more stable than in prewar years, or even early postwar years. In other words, personal outlays for goods and services—for everything from autos to clothing to rent to food—are henceforth likely to decline only very reluctantly, if at all, during even medium-type recessions. In shallow recessions, they are very likely to show no decline, or to rise moderately. Thirdly, the giant consumer market is going to emerge—perhaps this year—from a period in which outlays have been heavily in the direction of durable goods, into a period when nondurables, notably apparel, will show increasing strength. Fourth, it is a market that is "trading up" at the fastest rate on record: it is turning its back on low-priced, low-quality goods, and reaching for de luxe premium priced goods in all fields from automobile models to beef cuts. It is rich, choosy, quality-conscious, and increasingly aware that the intensely competitive atmosphere of the middle 1950's is playing precisely into its hands.

Four Sources of Strength

The well-springs of the strength in the consumer sector are now fourfold: (1) high and rising incomes; (2) high and rising liquid asset holdings; (3) an extraordinarily high level of confidence; and (4) a high growth rate of the market itself, resulting from a combination of population growth and rising living standards.

In early 1955, personal income in the United States is running about $6 billion higher than at the peak of the 1953 boom. At the same time, personal taxes are now running about $4 billion lower, so that personal income after taxes—the so-called "disposable income"—is higher by fully $10 billion. That rise, however, is only the tip-end of a broad upsweep in consumer incomes that has been moving at a record rate almost throughout the postwar years. The 1955 level of income is likely to be about $75 billion bigger than in 1949, and almost three times as great as in 1941.

It is true, of course, that these figures should be adjusted to take account of rising consumer prices. However, this adjustment, surprisingly, has little effect on the figures since 1949. Between 1941 and 1949, incomes about doubled, while the price level increased by roughly two-thirds. But between 1949 and 1955, incomes have increased about three times as fast as prices! The result has been a sudden and



SUMMARY OF NATION'S ECONOMIC BUDGET FOR "MAXIMUM" ECONOMIC GROWTH, ACTUAL CALENDAR YEAR 1953; ESTIMATED CALENDAR YEAR 1965

(Billions of 1953 dollars)

Incomes from and expenditures for gross national product	Actual, calendar 1953[1]	Estimated, calendar 1965
PERSONAL		
Income, total disposable	250.1	380
Expenditures:		
Durable goods	29.7	50
Nondurable goods	118.9	185
Services	81.4	122
Total expenditeres	230.1	357
Savings (+)	+20.0	+23
BUSINESS		
Incomes:		
Corporate undistributed profits	8.9	12
Capital consumption allowances	27.2	48
Inventory valuation adjustment	—1.0	0
Total incomes	35.1	60
Expenditures:		
Residential nonfarm construction	11.9	16
Plant and equipment	38.0	60
Change in business inventories	1.5	3
Net foreign investment	—1.9	2
Total expenditures	49.5	81
Dissavings (—)	—14.4	—21
GOVERNMENT[2]		
Incomes:		
Personal tax and nontax payments	36.0	43
Business tax and nontax liabilities	51.1	62
Contributions for social insurance	8.8	16
Less nongross national product payments	17.4	26
Total incomes	78.5	95
Expenditures:		
Major national security	52.0	40
Public construction, civilian	10.1	17
Schools	1.7	4
Highways	3.2	6
Other public construction	5.2	7
All other	23.1	40
Total expenditures	85.2	97
Savings (+) or dissavings (—)	—6.6	—2
Statistical discrepancy (+) or (—)	+1.0	0
Grand total	364.9	535

[1] Detail may not add to totals due to rounding.
[2] Includes Federal, State, and local government.
SOURCES: Joint Committee on the Economic Report. United States Department of Commerce.

prodigious expansion in the real buying power of American consumers. The final effects of that expansion are now appearing in retail markets throughout the country.

At the same time that incomes have been surging upward, the distribution of total income has undergone a change so marked as to justify the title "bloodless revolution" which is often applied to it. Increasingly progressive taxation, minimum wage legislation, the shift from low-paying agricultural employment to higher paying factory employment, rising factory wage scales as a result of unionization, and intensifying scarcity of workers in many less desirable pursuits as a result of the declining inflow of labor from abroad, have all acted to raise incomes at the lower end of the income spectrum much faster than at the upper end. The result has been a progressive equalization of incomes, not simply by averaging out all incomes, but by raising the lower levels toward the higher. This, in turn, has resulted in making mass markets—far and away the largest markets in the world—for what were the luxuries of the few only fifteen years ago.

Figures on the American income distribution are scattered and conjectural; but there is enough evidence to warrant the conclusion that both the income tycoon and the income pauper are close to disappearance. Even over relatively recent years the change has been surprisingly marked. For example, between 1946 and 1954 the percentage of spending units with incomes under $2,000 shank from 40% to about 20%; those with income over $7,500 rose from 4% to about 12%. Those with incomes of over $100,000 have probably been about unchanged even from prewar years, since it now takes between three and four times as much pre-tax income to clear $100,000 after taxes as it did in 1939.

Liquid Assets of American Families

The "bloodless revolution" in income actually got started in the 1930's. But in the 1940's its effect was vastly augmented by another revolution affecting the asset holdings of American families. In 1940, personal holdings of liquid assets—currency, demand and time deposits, saving and loan shares, and U. S. Government securities—amounted to about $50 billion; today they amount to about $220 billion. Moreover, there is considerable evidence that these holdings, like incomes, are more widely distributed today than in prewar years. About 75% of all spending units now own some liquid assets, as defined above; about 25% of all spending units have more than $2,000 in liquid assets. And these figures do not include holdings of corporate securities, which are now more widely distributed than ever before (particularly if the holdings of mutual funds are treated as individual holdings).

While asset-holding is much more widespread today than fifteen years ago, and while the distribution is apparently more equal, it is important to note that asset holdings are still distributed *unequally* enough to serve as a stimulus to *all* markets. If all liquid assets were equally distributed to all spending units, each unit would have only about $350 dollars—hardly enough for a down payment on a typical used car. Large aggregations of assets in the hands of higher-income levels are responsible, to some extent, for the high levels of new automobile sales in this country and, of course, they account entirely for sales of such luxuries as require an extremely large payment.

As with incomes, much of the purchasing power inherent in liquid asset holdings has been lost through inflation. However, since about 1951, when consumer prices stabilized, asset holdings have continued to rise at about $10 billion a year, and this has steadily reinforced the capacity of the consumer sector to build its living standard. More recently, since late 1953, the boom in the American stock market has increased the net worth of American shareholders by an amount in the neighborhood of $100 billion! This phenomenal rise has doubtless played a role in the strength of consumption expenditures, particularly for durable goods, over the past year and a half.

Combining with the rise in consumer incomes and the improvement in their asset position has been a significant rebirth of consumer confidence in the future. The sources of this new confidence are many and varied; they include the rise in income and asset holdings themselves, but, perhaps more significantly, they reflect a sense of satisfaction with the price level and its stability over the past several years. Consumers are aware that they are now getting good value in the market place, as a result of intensive competition among producers (the auto-

HOW PERSONAL CONSUMPTION EXPENDITURES HAVE CHANGED 1949-1954

(Percentage distribution)

	1949	1954
Total	100%	100%
Durable Goods	13.1	12.3
Autos & Parts	5.2	5.3
Furniture & Equip.	6.0	5.4
Other Durables	1.8	1.6
Nondurable Goods	53.6	51.5
Clothing and Shoes	10.3	8.4
Food and Alcoholic Beverages	31.3	31.3
Gasoline and Oil	2.6	3.0
Semidurable Housefurnishings	1.2	1.1
Tobacco	2.4	2.2
Other Nondurables	5.9	5.6
Services	33.3	36.2
Household Operation	4.7	5.2
Housing	10.8	12.6
Personal Services	2.1	1.9
Recreation	2.1	1.9
Transportation	3.2	3.1
Other Services	10.4	11.5

mobile market is the inevitable illustration). Also playing an important role in the development of this new confidence have been the rise of pension funds, of equities in the social security program, and of record holdings of life insurance, sales of which are booming. Finally, the confidence reflects a realization that henceforth no American administration will tolerate any substantial degree of unemployment for any considerable period, since to do so would amount to political suicide. The so-called "full employment act of 1946", whatever its shortcomings, has at least tended to provide assurance that jobs and incomes will be plentiful in the foreseeable future. And there is also widespread confidence that to the extent unemployment arises, increasing unemployment insurance benefits will be available.

Stimulus of Instalment Credits

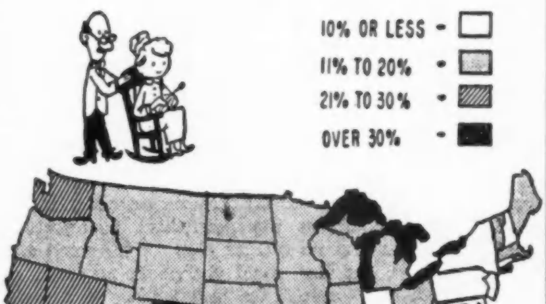
The tangible result of this confident outlook on the part of consumers has been an unprecedented willingness to spend their income before it is earned, through the medium of instalment credit. At present, instalment credit extensions aided by perhaps too much slick salesmanship are providing a significant part of the stimulus to retail trade, most notably in the automobile market. The relation of instalment repayment obligations to disposable income has risen sharply since 1946, and is now considerably higher than at any time on record, including the late prewar years. Something like 12% of all personal income payments, after taxes are deducted, are now necessarily earmarked for repayment of instalment debt. For the average American, in fact, instalment debt repayment, together with rent or mortgage payments, life insurance premiums and payments to pension, retirement and social security funds now take 22 cents of every dollar earned, and the proportion is still rising at a noteworthy rate.

In this one area—the drain of fixed commitments on income—lies the great threat to the postwar level of consumption, and, in fact, to the stability of business. If the current rate of debt formation continues throughout this year, and if other fixed commitments such as insurance premiums and payments into pension and retirement funds continue to grow at their recent rate, something like one in every five spending units will have earmarked fully 40% of his 1956 earnings in advance! This proportion would be by far the highest in history, in this or any other country, and its consequences for consumption may be serious.

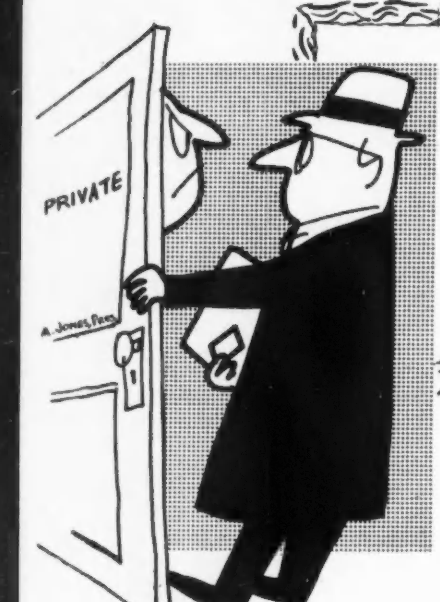
However, as recently as 1953 consumers have exhibited the ability to ration their use of credit when they feel they have become over-extended, and it is quite possible that such voluntary rationing will again occur within a year from now. If it does, it will of course mark an interruption in the upward trend of consumer buying, but it is not likely, from current indications, to be either severe or prolonged.

It might be added that the prospective strength of the new American consumer market has very favorable implications for general business, including those industries whose output is sold to business rather than directly to consumers. Personal consumption outlays by individuals now take about 65% of the nation's total output of goods and services, but their normal share suggested by past history is close to 70%. Barring a major change in international affairs, it is probable that the consumer share of the total will gradually rise toward its long-term normal over the next five years. And in the course of this rise, it is very likely that soft goods—food, apparel, sundries—will advance more rapidly than hard goods, or services. The hard goods share of the total is likely to sink somewhat, partly because instalment debt, which is used in the purchase of hard goods, has already reached very high levels, and partly because physical stocks of consumer durables in the hands of consumers are now historically high. Similarly, it seems probable that outlays for services, which have been rising very rapidly in the postwar years, will rise only slowly in coming years. *(Please turn to page 256)*

PERCENT OF OLDSTERS ON OLD AGE ASSISTANCE
IN EACH STATE, JUNE 1954



SOURCE: SOCIAL SECURITY ADMIN.



Why Over-Conservatism in Management Attracts Financial Raiding

Recent much-publicized proxy fights appear to have set in motion a wave of similar battles for corporation control. In some instances, criticism of management may be justified, but in others, effort to gain control, especially by "outsiders" is not always in the interest of the company nor its share owners.

By L. A. LUKENS

The bitterness with which the two contending forces battled for control of the giant Montgomery Ward Company in the fight just ended has sensationally highlighted the problem of management-stockholder relations. Many searching questions are being asked of management by stockholders these days, not only at stockholders' meetings but in communications addressed to officials, and in interviews which executives are often reluctant to grant but dare not refuse.

Why this sudden blossoming of interest in management at this time when stockholders are doing so well, both in dividends and in the prices of their shares? Probably, the most compelling reason is the rising tempo of "proxy fights" between those executives and stockholder groups who have a vested interest in continuing existing managements, and "outsiders" who want to pry their way in, for reason that sometimes may not always be in the interest of the stockholders or the company.

Publicity attached to these fights, and there is plenty of it, has naturally caused stockholders to wonder whether their long-term interests are being jeopardized by the struggle for control. In view of this concern, it is understandable that they should attend stockholders' meetings in ever-growing numbers, and that management generally should be increasingly sensitive to this new display of stockholder interest in its conduct of company affairs.

"Proxy fights" are not new in American corporate history but in the past year they have assumed an intensity ostensibly dictated by a desire on the part of new, contending groups to prove to stockholders that their election to the Board of Directors would improve the affairs of the company. Actually, however, in too large a number of instances, these "proxy fights" are apparently brought on, not in the company's interests so much as by a desire by these new groups to command its financial resources. The colorful, but perhaps not too fanciful term of "financial raiding" has been used to describe such activities. Stockholders, of course, have a right to seek light on the motives of these new groups, since a change in the management of their companies could involve their vital interests.

In most cases, the election of directors at annual stockholders' meetings follows an established pattern. The agenda is known in advance and, while stockholders have the privilege of asking pertinent questions of the chairman from the floor, normally in a well-managed company questions of policy or aspects of operation are rarely brought up.

The situation in the case of a real "proxy fight", however, is quite different. Here, the financial careers of individuals as well as the basic policies of the companies may well be at stake. These powerful contending personalities will go to any length of effort or expense to promote their cause but it must be said, in most of such cases, the stockholder is promptly forgotten as soon as his proxy is received and the battle is ended. Unless he makes a continuing effort to exercise his constitutional liberty with respect to exerting pressure on any management of which he disapproves, his interest can well be subordinated. We are speaking here, of course, only of those companies which, by virtue of overly-conservative policies or through otherwise faulty methods, have had a discouraging record and which have, thereby, attracted opposition. Those many others, much more numerous, which have had successful records do not fall in this category. For that reason, we will confine ourselves only to those companies whose managements have come under fire, for one reason or another.

It is important to note that the prime targets of new aggressive financial groups in recent stockholders' fights are those companies which have followed unprogressive policies but which are nevertheless in possession of considerable financial resources. Control over such resources is one of the prime considerations of new groups avid for power. In several cases, successful efforts to gain control of companies have provided these interests with the funds needed to acquire control of other companies. Therefore, stockholders may be advised to take note of the fact that if they happen to own stock in companies with-

in unappealing or retrogressive record and, if these companies should be in possession of substantial financial resources, sooner or later enterprising and energetic individuals of the promoter type are likely to be attracted into making a fight for control, in an effort to command these resources. This has been one of the prime reasons for several recent "proxy battles".

Other stockholders' fights may be of a more conventional type. That is to say, these fights may be between two or more groups of "insiders", with the minority groups attempting to unseat the present management for reasons which may have to do with policy or with faulty operational methods. This may involve inadequate use of existing facilities, unpreparedness for new competition, or general ineffectiveness. The point to note, however, that in such instances the fight is not between an "inside" and an "outside" group but between two groups of insiders, both of which presumably are interested in the company's affairs and not in extraneous personal interests which do not affect the company.

Last year, there were 28 "proxy fights" for control of companies. Most of them were resolved without the outside world knowing much about the details. In other cases, however, there was widespread public interest, reaching beyond the stockholders involved. This year, there may be an even greater number of "proxy fights". Some of the more interesting recent examples are discussed in the following:

The Montgomery Ward Battle

The outcome of the fight between the Wolfson-Avery interests in which the latter were victorious was undoubtedly of importance to the stockholders. Even more important is the light it cast on the vulnerability of incumbent managements to direct attacks from outside interests when previous policies have been proved inadequate. (In this case, the term "outside interest" seems appropriate because it is understood that the Wolfson interests had no important share interest in the company much prior to the beginnings of the struggle for control.) Nevertheless, despite the fact that the Wolfson interests seemingly had a case in charging that the Avery management had been unduly conservative, a criticism that had been increasingly voiced in recent years by professional interests familiar with the affairs of the company, the standing of the Wolfson group, in the eyes of many, had been weakened by the suspicion that the (*Please turn to page* 261)

12 Companies With Highly Variable Post-War Records

	1947	1948	1949	1950	1951	1952	1953	1954	Post-War Price Range	Recent Price
BOHN ALUMINUM & BRASS										
Net Per Share	$ .36	$1.84	(d)$1.07	$3.37	$2.71	$1.66	$3.02	(d)$ .66	59 -16⅛	22
Div. Per Share	1.33	.66	.50	.83	1.16	.91	1.10	.70		
CHICKASHA COTTON OIL CO.										
Net Per Share	2.05	2.41	.07	4.19	2.39	.43	(d) .09	2.31	22½-10⅜	17
Div. Per Share	.75	1.00	1.00	1.25	1.25	.75	....	.50		
CHILDS CO.										
Net Per Share	1.66	.17	(d) .56	.36	(d) 1.17	(d) .54	(d) 1.14	(d) .84	8¼- 1¾	4
Div. Per Share	....	....	....	....	....	....	....	....		
COLLINS & AIKMAN										
Net Per Share	.60	.92	.09	3.04	5.46	1.95	(d) 2.17	(N.A.)	46 -13	18
Div. Per Share	1.50	1.00	.50	.25	1.15	1.60	1.60	....		
CURTIS PUBLISHING CO.										
Net Per Share	.61	.69	.64	.93	.54	.43	.60	.52	13¼- 4⅞	8
Div. Per Share	....	....	....	....	....	.20	.20	.20		
DUPLAN CORP.										
Net Per Share	6.08	4.85	3.34	2.11	1.06	.02	.28	.35	18 - 6⅞	10
Div. Per Share	.40[1]	.50[1]	.50[1]	.70[1]	.60	.10	.10	.10		
HEYDEN CHEMICAL										
Net Per Share	2.01	2.04	.92	1.88	1.92	.65	.69	.20	35¼-10¾	16
Div. Per Share	1.00	1.00	1.00	.80	1.00	.87½	.50	.50		
HOLLAND FURNACE										
Net Per Share	4.10	4.48	3.69	3.53	2.02	1.45	1.05	1.04	31¼-10⅝	15
Div. Per Share	2.00	3.00	2.75	2.75	2.00	2.00	1.00	1.00		
MINNEAPOLIS-MOLINE CO.										
Net Per Share	5.81	8.25	7.20	8.03	5.30	4.31	1.71	.67	27¾- 7	20
Div. Per Share	....	....	.90	1.20	1.60	1.60	1.20	....		
PFEIFFER BREWING										
Net Per Share	1.86	2.49	3.14	3.05	2.37	2.06	1.65	.48	25 - 9	9
Div. Per Share	.75	.70	1.00[1]	1.50	2.00	1.60	1.60	.60		
SEIBERLING RUBBER										
Net Per Share	.58	.75	(d) 1.99	5.26	3.30	1.48	2.11	.02	16⅞- 4⅛	10
Div. Per Share	.50	.25	....	....	1.00	1.00	1.00	.30		
SHATTUCK (F. G.) CO.										
Net Per Share	1.34	.91	.83	.93	.28	.50	.57	.55	21¾- 8	10
Div. Per Share	1.25	.70	.70	1.00	.40	.40	.50	.60		

(d) Deficit. (N.A.) Not available. [1] Plus stock. [2] Estimated.

FOREIGN COMPETITION *Menaces* INDUSTRY and LABOR

By HOWARD NICHOLSON

The year 1934 marked a milestone in American history that might well be regarded as among the most crucial years in the evolution of the Republic in that it saw a reversal in the trade policy which had been responsible for the growth of the Nation from a pastoral and agricultural land to the greatest workshop in the world. In 1934 Congress, under the hypnotic spell of the scarcely born New Deal, passed the Trade Agreements Act. Not only has this statute been called by its opponents a conspiracy to destroy the workingmen and the small investors but also to undermine our ability to defend ourselves in time of war and sustain ourselves at our attained level in time of peace.

Underlying the purposes and the operation of the law is a fundamental change in our Constitutional structure for it has the effect of removing the tariff-writing responsibility from the Congress and placing it in the hands of the President of the United States!

American Interests Ill-Served

The General Agreement on Tariffs and Trade, the international instrument under which the law operates, is due to expire next June 12 and the Congress, under pressure from the Administration, has been debating a three year extension. The GATT, as it is known in official parlance, has come of age and as each period for an extension has come up, it has been realized more and more that American interests have been ill-served under its terms. The struggle this time has been far more bitter than ever before as the 21 years of the life of the instrument are showing their cumulative effect, an effect deleterious to American economy.

When the United States was established as a Nation, the chief source of revenue was the tariff. This remained true for generations. It is true that, very early in our history, a sectional division grew into being, the agricultural South desiring manufactured goods at the lowest possible figure while the North realized that it must have tariff protection if its manufacturing industries were to thrive. Inevitably, these divergent interests resulted in the creation and rapid growth of political parties, the Republicans traditionally becoming the protective tariff party and the Democrats the free trade party.

Experimenters in the field of history have written much on influences which built the Nation and, of course, there have been differences of opinion. But, over the years, it has been fairly well demonstrated that, without a protective tariff, no such industrial plant as that which exists could have been built. Obviously, without this industrial plant, the United States never could have achieved the position of World leadership it occupies.

Perhaps, more basic than these other considerations, the American people, from the lowliest workman to the head of a great corporation, could not have attained the highest standard of material living ever known in history!

What now has become a source of increasing alarm is that American leadership and this cherished standard of living are seriously threatened. Some (but not many) of those who read these lines will remember the campaign cry of the supporters of William B. McKinley. Its shrillest note was The Full Dinner Pail and the struggle was to elect to the Presidency the author of the McKinley Tariff.

With the passage of the years, the tariff has fallen low as a producer of Federal revenue and there has been a tendency to forget the immense effect the tariff had upon the Nation. In the years between, other issues have filled the minds of the people. Now, however, as the result of an involved set of circumstances, the clear fact is emerging anew that abandonment or substantial modification of the well-tried tariff policy can still the wheels of industry and empty the dinner pails which for so long have been full to overflowing!

The General Agreement on Tariffs and Trade, to which most of the Western Free World nations are signatory, provides an elaborate system of reciprocal foreign commerce. Even though in 1934, the United States was only beginning to arise from a world-wide depression, it soon became again the dominant industrial nation of the world and, because of deranged currencies, achieved a further dominance in finance. So it was inevitable that, in the effort to restore world trade it should be the United States which granted the most reciprocal trade favors.

An Alice in Wonderland Tale

With the passage of the years and the devastation of the Second World War which left almost all other nations in the very doldrums of depression, the position of the United States appeared as more dominant than ever. So, stimulated by an altruistic spirit, this country not only continued to grant all manner of trade advantages to other nations but, with billions of dollars in grants, assisted them to rehabilitate their industries, their agriculture, their shipping and all other instrumentalities of production.

Actually, if some utterly detached being were to read, as history, the story of what has occurred, it would seem the veriest Alice in Wonderland tale. Under the pleading of One Worlders on the one hand and old-fashioned and serious believers in the doctrines of free trade on the other, the American people have poured blilions of dollars into the industries of foreign nations, through the Marshall Plan, President Truman's Point Four Program and the variations of those operations. Despite appalling waste and mismanagement, not only have the old industries been enabled to rise again but wholly new ones have been created in the foreign beneficiary countries.

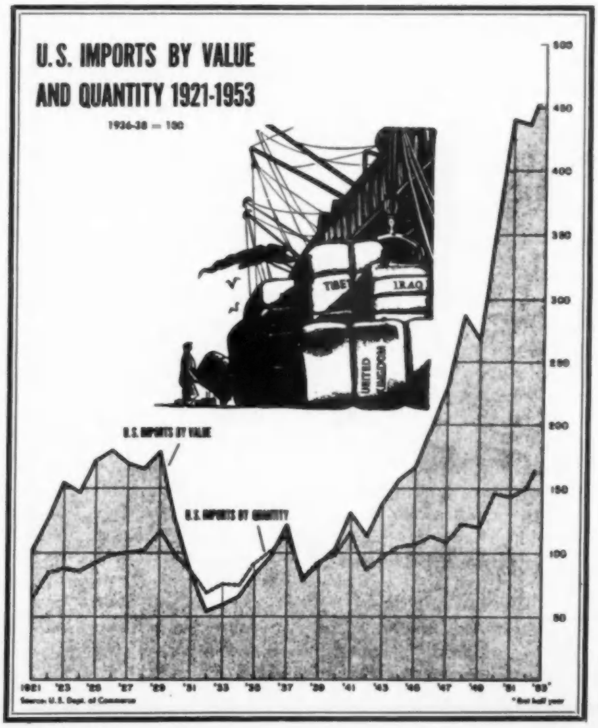
The broad result has been that the foreign industries which American money has rehabilitated or created now have risen to become sharp competitors of those American producers whose taxes paid the bill. The resurgence has been such that more goods are being produced than can find a ready market at home with the inevitable result that our own domestic market is invaded. There is, in addition, a further and bitter aspect to that situation. Some of the countries have entered upon a sort of blackmail against the United States. They have said and are saying that if we will not buy their goods, then they must find what market they can in the lands of our enemies. Ninety-six countries, beneficiaries of American billions, sell all manner of goods to Russia and Iron Curtain countries, practically all of which goods are immediately useful in war or can be speedily adapted!

Assuredly, the utterly detached observer would find it nothing short of laughable that an American high official, appearing before a Congressional committee on this very issue, the extension of this Trade Agreement, declared: "The Italians will not understand it if you do not extend this Act and thus *permit them to sell in the United States the goods produced in Italy at plants established there with funds coming from the American taxpayers.*" A comparable official made the same argument about other countries involved.

Beginning as much as a decade ago, various American Government agencies advanced money to foreign countries to enable them to build hydro-electric plants to furnish power which in turn could run factories turning out goods to compete with American products, not merely in the world trade generally but right here at home. An especially interesting aspect of some of these deals has to do with the purchase of generators and other electrical machinery. In some cases, the electrical machinery was purchased elsewhere, chiefly in England. But in other cases foreign countries were granted priorities to purchase vital machinery here. This was during the latter part of the war and the beginning of the post-war period when production was far behind. The foreigners could buy this machinery when our own domestic utility companies could not obtain deliveries although their maintenance was lagging. That is only a side aspect of the general trade policy which has put every other country's interests ahead of our own!

One Way Reciprocity

The many countries signatory to GATT theoretically are presumed to (*Please turn to page* 256)



BRICKER AMENDMENT STILL ALIVE

By "VERITAS"

CHANGING TIMES are reflected in the motive supporting President Eisenhower's plan to send an atom-powered American merchant ship around the world, to touch all ports as a floating workshop of this country's theory that the atom can be harnessed for good, not confined to missions of destruction. Theodore Roosevelt sent the fleet on a good will mission in 1907—for the obvious purpose of impressing the warlike Japs with our striking power. It was a "peace, or else" gesture. The atom-propelled ship will display no military might. It will be scientific in purpose and nature, a fitting follow-up to Ike's atoms-for-peace speech to UN.

WASHINGTON SEES

Before month's end, Congress may be well on the way to decision on an issue which is much more important in its implications than in its immediate consequences: whether to set up the machinery now for a war all hope will not come.

The Defense Mobilization Board has readied for Capitol Hill, a plan for stand-by controls. It could be made operative overnight, replaced in about 90 days by a method tailored to to fit the geography, extent, and nature (nuclear or otherwise) of the attack to be repelled. DMB presents it as a form of insurance policy against being caught unprepared, but it's a legislative calculated risk: it probably will be interpreted by many to mean that feelers have failed and that the nation now is girding seriously for war.

For more than a year, DMB has been "revealing" that a plan is in the works. The idea was to take from the eventual disclosure of details the coloration of new, or worsened, perils to peace. The numerous delays in unveiling had their inception in the White House; President Eisenhower still worries about the psychological effect of telling citizens that they could wake up tomorrow to find that production of automobiles for private use, home appliances, spare tires and many other things has been curtailed, and that stockpiling may soon be reflected at store counters.

Chief White House worry is that politicians will cite it as diplomatic failure, incite the citizenry. Ike's aides say some GOP-labeled senators could be the worst offenders.

BRICKER AMENDMENT is again in the running for congressional approval but, if anything, its chances of enactment have been weakened at the start. Last year President Eisenhower was little more than passively opposed; this year he is firmly on record against, and he has thrown into the fight his prestige as GOP leader. Administration stalwarts were quick to take the cue and are using the argument that their party-men shouldn't question White House powers, long exercised, on the first occasion of GOP occupancy by the republicans in 20 long years. And Sen. George says this time he'll vote for it but won't whip demmies in line for it.

REASON why the State Department has not been playing up to Anthony Eden in any degree comparable to the fuss always made over Sir Winston Churchill, and to a lesser extent over Clement Attlee when the Labour Government was at the helm, is that nobody knows whether Eden will survive the forthcoming election or, if his party wins, whether it will retain him as Prime Minister. He came into the PM role by a succession created by Churchill and he was appointed by Sir Winston. Feelers now are out to ascertain whether the conservatives will "go along."

VALUABLE hint to business groups or committees which may trek to Washington for conferences with Treasury Secretary George Humphrey has come out of experience of newsmen. Humphrey has adopted an iron-clad 15-minute appointment rule—no exceptions. But the Secretary turns on an inquisitive nature to blanket conferences when the wisdom of saying little or nothing appears. So the best rule is to grab the floor and hold it; interview or you'll be interviewed the whole period.

As We Go To Press

Steel is a focal topic in Washington economic discussions and has been since Ernest T. Weir told National Steel stockholders and directors, April 27, to be ready for a price rise and the reactions thereto. As if to give emphasis to the warning, the United Steel Workers picked the same week for their announcement of new demands in the making, boosting wages and consequently wholesale prices. So, there will be watchful waiting until the demands are received and acted on: much depends on whether the pay "requests" are met. Usually, they are. If what Chairman Weir envisions comes to pass, wholesale prices all along the line will react; so, too, will retail prices for the fabricated products. However, the spirit of optimism that good times are here and indexes will rise even more, removes worry from the elements of current conversation over steel.

Peace talk, in the words of the congenial pessimists, seems to "be getting out of bounds." General Romulo did an outstanding diplomatic job for the free world at the Bandung meetings, and Negro Rep. Adam Clayton Powell of New York, knocked the props from the communist propaganda of mistreatment of minorities in the United States. The State Department had feared Powell would take an opposite approach, hesitated to clear him for the trip and probably wouldn't had he not had the backing of fellow congressmen who foresaw themselves, some day, barred from trips because their views didn't coincide with the ruling group in the State Department.

But the real bases for peace optimism spring from the talked-of conferences at peak level with Russia and the Chinese reds more amenable than at any time in the past. Natural suspicion on the part of some congressmen and private citizens may grow into a major problem: if it becomes vocal and strongly organized, suspicions will grow on the part of the commies and dealing at arm-length may be made impossible. General Eisenhower has been acting in the current situation as FDR frequently did when top-level meetings were in prospect: he is personally taking the reins. That's all for the good, insofar as public reaction goes, and it will inure to the success of the meetings. This isn't so much a reflection on Dulles as it is a compliment to Eisenhower.

When Malenkov was given the gate at Moscow in February, men close to the hub of things diplomatic made an analysis which seems headed toward realization. They saw Bulganin as figurehead chief of state, cast in the Malenkov mold rather than as another Stalin. They sensed an upsurge of the military, and that played the beam on Zhukov's role. As a military man, General Eisenhower recognizes the hazard of spreading a striking and defensive force over too broad a geographical area and of too wide a distribution of control. The promise to protect countries everywhere, at any time, against any type of attack is not in the Eisenhower pattern of foreign relations and he realized it could not be in the indorsement of Zhukov, whose military mastery the man in the White House respects. From the start, Eisenhower and Zhukov talked the language of military men, former comrades-in-arms. Since that February day progress has been slow but continuous. These are the circumstances on which current confidence is based -- it springs not from emotional roots but from professional evaluations of both the diplomatic and military developments.

Construction of about 17,000 new housing units on military posts in this country and abroad is called for in the over-all Defense Department request for public works funds, now going through the congressional mill. The bill would authorize a $255 million military home building program for bases in all states (except West Virginia) and in a number of off-shore bases. Other overseas housing

for military personnel and their dependents is requested in a section authorizing use of $75 million to be acquired through the surplus agricultural commodities program. All units are to be government-built and owned.

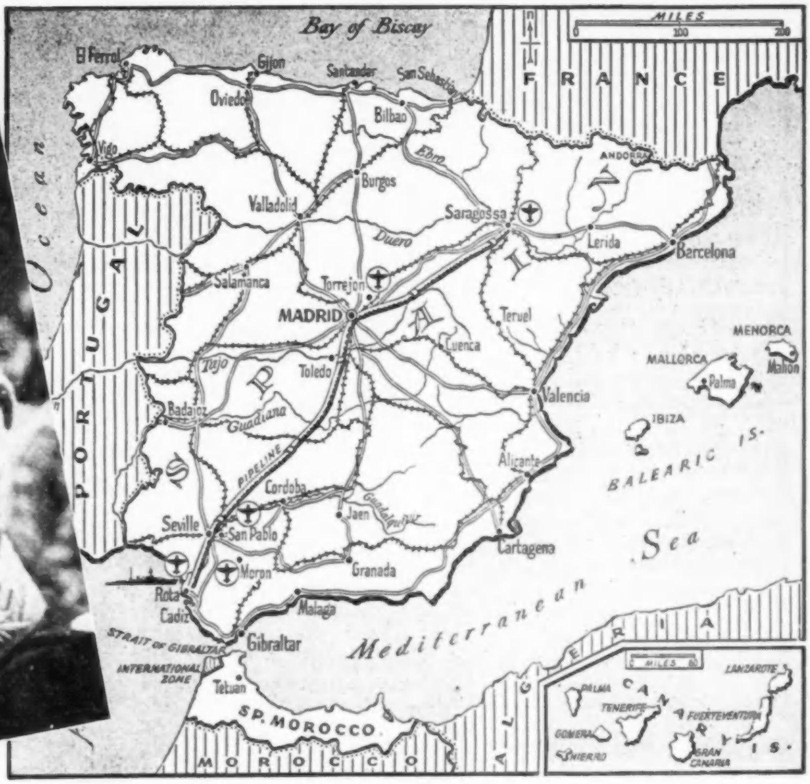
The military housing program is interesting from the viewpoint of its implications. First reaction might be that a very large personnel expansion is in the planning. One familiar with the barracks-type construction used by the military arms can appreciate that World War 2 buildings are reaching the end of their usefulness and many of them must be replaced; in some instances it's cheaper to build from the ground level than to attempt repair. So the big army idea is not a valid guess.

There is a very considerable program for overseas housing and that could mean several things. It could, for example, tip off permanent occupation armies, or even larger ones; but the trend is the other direction. Certainly there would be no thought now of building houses for soldiers in "hot spot" lands where we don't have any troops. So the real basis of the overseas program is probably a much simpler one: better housing to be built in foreign countries, with the currency of those countries channeled through a farm program that takes up millions of dollars worth of American surpluses. The foreign nation buys the food and Uncle Sam spends the money in spreading economic and military aid at the source of the food deal.

As had been predicted from the beginning of the current session of Congress, the competition for political capital to come out of antitrust investigations, is another case of too many cooks and a spoiled broth. Had the Attorney General's Committee on antitrust law and enforcement submitted anything but a wishy-washy review, things might have been different: there might have been some working papers. As it happened, the report broke down into so many dissents that every exponent of a theory about what the Sherman and Clayton Acts should say, or be interpreted to mean, finds support for his ideas. The result is a situation worse than before the committee of experts went to work. Today, every untried notion can quote dicta in support, and just about every tried and tested principle has been assailed.

Already three committees of congress are contesting for the limelight and others are bound to enter. In this maze of words and ideas some helpful suggestions undoubtedly lie buried. But that isn't all, for there is yet to come — soon — an antitrust study from the Federal Trade Commission: more confusion, more precedents, more forming of "sides" on a subject that, perhaps, is so misunderstood because it has been "studied" so much. The Attorney General's committee could hardly be expected to report back that Mr. Brownell had been in office for two years and had allowed things to get away from him. So the experts said the merger law needs no amendment; it's okay as it stands. And far from strengthening the law, the committee proposed that it be weakened: strike out the fair trade sections, it recommended.

Department of Justice records show an average of 50 mergers each month — each, naturally, involves at least two going firms. (The fact of the matter is that one or more of those involved entered the arrangement because of the very fact that it was a "going" company.) The Department examines the facts in a cursory manner in all instances, probes more deeply where the need is indicated. But to suggest that a 40-year old law is competent in all particulars to cope with the affairs of a business world four decades older than the statute raises eyebrows on Capitol Hill. One has but to look at Department of Justice action to stop Bethlehem and Youngstown from pooling their steel business to realize that some revision is needed: either the government lawyers are wrong or the highly-rated steel lawyers are. Somebody needs clarified guidance! In any event, today's proposed mergers cannot be treated in an academic manner. The merits of each must be weighed in connection with the competitive situation.



Hopeful Outlook For Economic Progress in Spain

By V. L. HOROTH

When the economic and military agreements between the United States and Spain were signed in September 1953, it was freely predicted that a new phase of Spanish economic development was about to begin. This prediction was based on the assumption that one half billion dollars was to be spent in that country over a period of seven to ten years. Now, after a year-and-a-half of the military-economic deal, it seems likely that by the time the naval and air bases are finished, the United States will have pumped close to one billion dollars into the Spanish economy. One billion dollars is about 40 billion pesetas — no mean amount when one considers that Spain's outstanding circulation is just about that much. No wonder hopes have been running high that U.S. spending on such a scale would revitalize Spain's economy, still recovering from the disastrous Civil War fought in the late 'thirties, and result in a general quickening of the tempo of Spain's economic development.

The terms of the 1953 agreements gave the United States the right to develop certain strategic air bases, improve certain harbors, and modernize transportation facilities so as to make possible the protection of the trans-Atlantic shipping lanes in case of communist aggression. The Spanish bases, estimated to cost over $300 million, were planned to be alternative to our bases in Morocco and other countries of North Africa, now in the midst of social and economic turmoil.

In return, the United States agreed to help the Spanish Government with the modernization of the armed forces which have a mobilization potential of over 2 million tough, hardened soldiers. This military aid, estimated at $250 million or more, involves principally the transfer of military hardware.

In addition, the United States undertook also to supply Spain with over $200 million worth of economic aid which was to take the form of cotton loans, surplus food, and, above all, industrial equipment to permit a speedier rehabilitation of Spain's economy and the raising of living standards. These standards, especially among the peasantry and industrial workers are among the lowest in Western Europe. It now appears that economic assistance, if it really is to leave a mark on Spain's economy, will

U. S. Trade with Spain

(In Millions of Dollars)

U.S. EXPORTS	1953	1954
Raw cotton	20.1	21.1
Wheat and flour	14.2	29.2
Elect. equipment	5.6	3.2
Agri. machinery and tractors	3.0	1.4
Other machinery and vehicles	9.5	15.6
Coal and petroleum	3.4	5.7
Chemicals	2.1	2.8
All others	12.5	18.1
Total	70.4	97.1
U.S. IMPORTS	**1953**	**1954**
Olives	19.5	20.3
Olive oil	6.5	7.3
Wines	2.5	2.6
Other veget. products	6.3	4.4
Wolfram (tungsten)	10.1	9.5
Mercury, zinc	6.7	5.0
Cork	3.0	3.5
All others	9.6	11.0
Total	64.2	63.6

have to be upped at least half a billion dollars.

Implementation of Agreements

Things move slowly in Spain, and in general the implementation of the Agreements has lagged somewhat. It has been found that Spanish contractors are not quite equipped for the jobs they contract to perform, but work is now well under way on the big air bases at Torrejon near Madrid and Sanjuro near Saragossa in northeastern Spain. Other air bases are planned for San Pablo and Moron dela Frontera near Seville. More recently work began on the air and naval bases at Rota near Cadiz, the port where Columbus outfitted his new World adventure. All the air bases mentioned above are to be linked with the Rota Naval Base by a petroleum pipeline some 460 miles long. In addition, the Navy is to improve facilities at el Ferrol in northeastern Spain, at Cartegena in southeastern Spain, and at Mahon in the Balearic Islands.

Hand in hand with the building of air and naval bases, the Spanish Army, Navy and Air forces are being re-equipped and modernized. This is no place to make an extensive enumeration of the things that have been already done during the past year and half — it suffices to say that all kinds of equipment have been provided, ranging from Patton tanks to minesweepers. Eventually Franco's forces are to get American jet planes and a radar network is to be installed in the country. To spur the Spanish armament industry, several millions in offshore procurement contracts have been placed with it.

While the work on air and naval bases is providing Spain with extra dollars and while military hardware is pouring into the country, the Spaniards have been rather disappointed in the nature and the results of the economic assistance. Perhaps this is because too much improvement within an unreasonably short time was expected from the American deal. As it is, Spain was granted $85 million in economic assistance during each of the two fiscal years, 1954 and 1955. In 1954 the aid was well distributed, with nearly half of the amount going into the modernization of agriculture, transportation, electric power generation, and the steel industry. This year, partly because, as Washington explained, "it takes time to implement the investment", only some $30 million is to be set aside for equipment and raw materials; the remaining $55 million is to be used for the purchase of surplus agricultural commodities in the United States — a decision which does not sit well with the Spaniards.

A Country of Climatic Contrasts

Spain had a difficult year in 1954, and this fact is probably the basis for complaints about the slowness and inadequacy of American economic assistance. Spain is a predominantly agricultural country, but its agriculture must contend with greater vagaries of nature — and of rainfall in particular — than that of any other Western European country. The drought in 1953, coming toward the end of a five-year cycle of dry years, was particularly disastrous, necessitating the spending of $100 million for wheat and other food when the country needed the money badly to buy industrial raw materials and equipment. While the national economy was slowly recovering from the effects of this drought, an intense, unseasonable cold wave in February 1954 wrought extensive damage to citrus and olive orchards. Since citrus fruit and olive oil are the mainstay of Spanish exports, the country's foreign exchange earnings capacity was badly crippled, and it was only due to extra dollar receipts that international payments were kept in fair balance.

Another consequence of the scanty rainfall in 1954 was the rationing of electric power in some areas, such as Madrid. This in turn slowed down industrial production. However, Spanish industries have by this time learned how to take both power and raw material bottlenecks in their stride, although the result is usually higher production costs which are rather readily passed on to the domestic consumer, but which make exports difficult.

Yet, in spite of all the handicaps, Spain's 1954 exports at $470 million were only slightly lower than in 1953. Apart from olive oil and citrus fruit, the exports normally consist of early vegetables, bananas, wine, almonds, corks, iron ore, pyrites, zinc, mercury, wolfram, canned fish, and cotton textiles. Since the 1954 imports were about the same as in 1953 the excess of imports at $120 million varied little from the 1953 figure.

Additional sources of foreign exchange for Spain are emigrant remittances and the tourist traffic. Almost 2,000,000 foreign visitors, including some 200,000 Americans, came to Spain in 1954. A new record is expected in 1955, since Spain remains one of the most reasonably priced countries in Western Europe. Another potential foreign exchange earner and saver, the Spanish merchant marine, is steadily expanding, with the shipyards concentrating on fruit carriers and cargo-passenger ships. The reaching of the official target of 1,500,000 tons may not be far off.

Impressive Industrial Progress

As the fair haired boy of the Generalissimo Franco regime, Spanish industries have made really impressive progress, especially during the last four

or five years. It is estimated that the 1954 industrial output was double that of 1946 and some three times as high as in 1939, the year when the Civil War ended. The textile industries of Catalonia and the heavy industry in the Basque Provinces are still Spain's industrial core, but a great diversification with Government blessing is taking place. Spain now produces tires, plastics, artificial fibres, industrial chemicals, dyestuffs, pharmaceuticals, explosives, sewing machines, railway rolling stock, many machine tools, and diesel motors and trucks. Many of these products are made in American branch factories operating in Spain and it is a sincere hope of the Franco regime that the military-economic cooperation between the United States and Spain will encourage investment of private capital in the expansion of present industries and facilitating the introduction of new ones.

Although progress, especially in metal working and chemical industries, has been quite impressive, there are many shortcomings in Spain's industrial development. Efficiency varies greatly. Some industries, such as the manufacturing of artificial fibers, are up to date; on the other hand, some of the metal processing industries are said to be operating with old, worn-out equipment. In general, the industrial structure is top-heavy, the basic industries being too weak relative to the manyfold requirements of the secondary industries. But these shortcomings are being tackled. For example, when the great new steel plant at Aviles in the Oviedo Province in the north is finished by 1958, Spain will be able to produce more than 2 million tons of steel a year, twice as much as she produced in 1954. Another steel plant, the Altos Hornos near Bilbao, is being modernized with American assistance.

Eliminating Raw Material, Power, and Transport Bottlenecks

Other weaknesses of the Spanish industrial set-up are the bottlenecks in raw material and power output, and insufficient transport. The exploitation of mineral deposits, the importance of which declined since the beginning of this century because it ceased to be profitable, is now being pushed by the Government sponsored Instituto Nacional de Industria (INI), which is also sponsoring the new steel works. Spain's mineral resources are surprisingly varied and include iron ore, zinc, lead, copper, tungsten (wolfram), mercury, tin, fluorspar, and pyrites. Spain's potash deposits are the second largest in Western Europe.

Electric power and fuel bottlenecks are also being overcome with the help of American grant aid and the technical assistance of Amerian private enterprise. Coal output, which the Franco regime succeeded in expanding about four times, is simply not large enough to satisfy industrial and private consumption. Imports of coal and petroleum products currently absorb one-quarter of Spain's foreign exchange earnings. This situation is to be at least partly relieved by the 10-year plan for hydro-electric development which aims at the expansion of the present installed capacity 2½ times by 1963.

Intensive search for petroleum deposits is going on in at least seven different localities, several American companies cooperating in the project with the INI and other Government monopolies. Extensive oil-bearing shale deposits are also being utilized, and at least one plant, near Ciudad Real, south of Madrid, is using oil shale together with coal for generating electricity.

The Spanish railways system was inadequate for the country's needs even before the Civil War. It is now being rehabilitated, the plans calling for spending at least $500 million. American aid is to be used for securing rolling stock and operating equipment which particularly is badly needed.

Agriculture and Land Conservation

The most neglected sector of the Spanish economy is agriculture which still employs more than half the working population, but contributes not much more than one-third of the national income. Agriculture is also the chief foreign exchange earner.

Spanish agriculture has not quite yet recovered from the after-effects (*Please turn to page* 260)

Spain — Economic Statistics

Year	Population	Steel Output	Elect. Output	Wheat Prod.	Cost of Living	Peseta Free	Dollars In U.S.	Nat. Income
	(mil.)	(000 t.)	(bill. kWh)	(000 t.)	('36=100)	(per $)	(mil. $)	(bill. ptas.)
1936	24.7	373	2.80	3,254	100	8.5	—	27.1[b]
1946	27.0	641	5.47	3,563	361	23.0	16	93.9
1949	27.7	720	5.63	2,947	478	45.0	16	119.0
1952	28.3	907	9.84	4,101	568	48.0	19	250.3
1953	28.5	959	9.92	3,055	577[a]	43.4[a]	36[a]	251.0
1954	28.8	1,103	10.48	4,530	595[a]	43.0[a]	71[a]	280.0[c]
1955 Jan.							93	

[a]—end of year; [b]—1939; [c]—partly estimated

WHAT FIRST QUARTER EARNINGS REVEAL

By WARD GATES

PART II

The flood of first quarter earnings reports, from practically every industry, shows rather remarkable consistency with respect to the scope of the gain in earnings which took place in that period. Whether compared with the last quarter or the first quarter of 1954, the gain in profits has been striking. Not only have most of the largest companies turned in reports that were exceedingly satisfactory from the stockholder's viewpoint, but many of the lesser concerns, as well, have demonstrated impressive recuperative power, as compared with their poor showing of last year.

While profits have been almost uniformly upward, this has not been true of sales. As compared with the first quarter of last year, sales did not increase to any substantial degree, measuring an increase of some 8% on the average, whereas profits advanced from 10% to 20% and more in individual cases. The rate of profit varied from industry to industry and from company to company. Those companies which were especially favored by tax reductions or which had improved their cost control fared better than the rest.

Industrial production in the March quarter rose steadily, with automobile and steel in the van. Construction industries also were conspicuous for sustained activity, which has continued on into the second quarter. Retail sales increases varied from 2% in the Northwest to 7% in the Pacific Coast and Middle West.

One of the most beneficial aspects of business and industrial operations during the quarter with respect to building up new orders is the obvious impact of the previous reduction in inventories. With supplies in better balance and increased buying from consumers and industry generally new orders had commenced to pile up. This was most strikingly noted in the steel industry with many consumers suddenly finding themselves short of supplies.

The stability of prices has been an important feature in the first quarter. Both the wholesale level of commodity prices and the consumers price index have remained virtually unchanged since a year ago. This has made for a more solid price foundation, so that business profits came directly from sales volume, instead of being artificially influenced by price twists and turns. So far as consumers were concerned, they benefited from the lower prices for food. This has, in part, enabled them to use savings from food expenses for the purchase of goods and services.

Entering the second quarter, it appears that the major industries—automobiles, steel and construction—which have contributed to the upswing are still maintaining a high rate of operations. As we are now in the second month of the quarter and the trend has thus far not been interrupted nor is likely to be by the end of June, it would appear that second quarter earnings will at least equal those of the first quarter and may, in fact, surpass them.

Looking ahead to the third quarter, one cannot reasonably assume that the present rapid pace of industrial output can be maintained. A let-down in automobile production should be expected with the summer months and the steel industry should feel the effects of this change during that period. Complementary industries which have been favored by the rapid pace in auto, steel and construction are likely to experience a lull in summer. This would be normal under any conditions but is particularly indicated for the summer period, owing to the rather exaggerated present tempo which cannot be indefinitely maintained.

Making allowances for variations within the industries, companies in the following major industries are likely to turn in a satisfactory report of earnings in the June quarter: steel, automobile, electrical, tire & rubber, construction (heavy machinery, especially), airlines, aircraft, chemicals and railroads. The following are more likely to show stability of earnings rather than any marked uplift: Utilities, paper, TV and radio and petroleum. Among industries, still in a comparatively unsatisfactory position, but showing recent signs of improvement are: textile, sugar, coal (*Please turn to page* 266)

Quarterly Comparison of Sales and Earnings

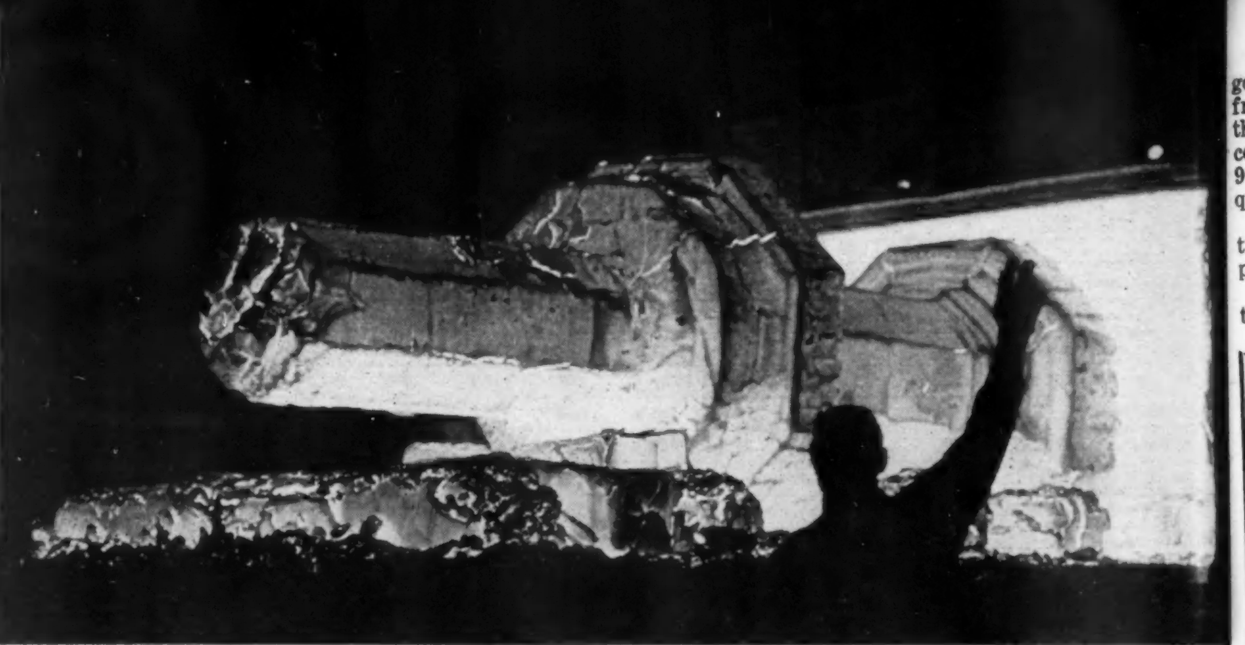
	1955		1954							
	1st Quarter		4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share
Allied Chemical & Dye	(N.A.)	$ 1.29	$ 131.3	$ 1.18	$ 127.6	$ 1.01	$ 138.6	$ 1.41	$ 133.0	$ 1.15
Allis-Chalmers Mfg.	$ 126.3	1.47	116.3	1.67	117.6	1.62	135.2	2.29	123.6	1.68
Aluminum Co. of America	197.6	1.63	185.7	1.50	181.2	1.09	178.5	1.03	163.1	.78
American Can	136.7	.42	148.4	.47	217.5	.99	159.2	.66	127.1	.41
Armco Steel*	154.7	1.20	135.6	1.13	129.4	.97	135.7	.94	131.3	.88
Armstrong Cork	58.8	1.92	53.9	1.25	57.5	2.14	52.4	1.85	53.5	1.75
Bethlehem Steel	451.0	3.51	403.2	4.88	368.7	2.53	439.6	3.04	445.1	2.73
Boeing Airplane	(N.A.)	1.85	261.6	3.01	274.6	3.03	230.4	2.76	266.4	2.58
Borg-Warner	138.6	1.23	98.6	1.38	86.9	.54	96.9	.67	97.8	.68
Caterpillar Tractor**	118.8	.82	103.4	.63	99.3	.81	103.0	.85	95.2	.68
Continental Can	134.4	.84	140.9	.89	189.7	2.18	157.5	1.67	127.9	.81
Continental Oil	129.9	1.25	129.1	1.06	123.4	.97	123.5	1.05	124.4	1.19
Corn Products Refining	52.4	1.21	50.5	1.44	51.7	1.33	45.8	1.25	46.6	1.23
Douglas Aircraft	214.8	1.93	215.7	2.16	205.6	2.44	253.0	2.80	240.8	2.43
General Electric	765.9	.58	791.6	.82	719.8	.54	732.0	.53	715.5	.56
General Motors	3,101.0	3.43	2,604.3	2.47	2,153.1	1.79	2,655.8	2.67	2,410.1	2.13
Gillette Co.	40.1	1.49	36.7	1.39	48.8	1.40	39.7	1.43	36.8	1.59
Goodrich (B. F.)	178.6	1.12	164.1	1.29	161.5	1.04	152.9	1.15	152.0	1.02
Gulf Oil	(N.A.)	1.77	869.0[1]	2.42	(N.A.)	1.56	836.3[1]	1.62	(N.A.)	1.56
Hercules Powder	53.1	1.54	47.3	1.21	48.0	1.31	48.5	1.37	43.5	1.21
Inland Steel	149.2	1.95	127.9	2.67	125.2	1.37	141.3	2.01	138.6	1.92
Johns-Manville	56.2	.86	68.5	1.24	67.8	1.47	64.8	1.71	51.9	.82
National Dairy Products	302.0	.62	293.0	.61	307.5	.75	310.6	.86	299.2	.56
National Lead	119.4	.84	108.5	.91	101.5	.68	108.5	.79	100.6	.67
National Steel	150.8	1.52	121.0	1.52	111.1	.84	121.4	.90	130.4	.87
Parke, Davis & Co.	28.8	.58	29.4	.70	27.9	.53	26.3	.51	26.2	.41
Phillips Petroleum	212.2	1.50	207.8	1.40	194.7	1.21	193.4	1.28	198.5	1.31
Pittsburgh Plate Glass	139.7	1.73	121.8	1.19	107.0	1.15	104.1	1.06	96.1	.79
Pullman, Inc.	68.7	.58	92.4	.93	90.4	1.51	101.7	1.70	107.2	1.91
Reynolds Metals	87.2	3.54	85.6	2.32	78.1	2.73	77.3	2.78	65.6	2.41
Scott Paper	63.4	.70	96.4	.83	44.9	.51	43.0	.52	57.4	.62
Sylvania Electric Products	79.9	1.03	80.8	1.00	73.7	.86	60.0	.41	66.9	.67
Texas Gulf Sulphur	24.1	.88	22.4	.72	22.0	.74	22.3	.84	17.6	.71
Union Carbide & Carbon	263.0	.98	256.5	.92	231.9	.74	214.1	.70	220.9	.74
U. S. Steel	873.3	2.49	810.0	1.92	769.6	1.45	840.0	1.64	830.8	1.48
Westinghouse Electric	367.7	.75	417.6	1.29	401.6	1.04	405.1	1.15	406.5	1.61
Worthington Corp.	(N.A.)	1.33	(N.A.)	1.06	(N.A.)	1.38	(N.A.)	1.50	(N.A.)	1.54
Wrigley (Wm.) Jr. Co.	20.1	1.52	19.6	1.35	21.8	1.51	21.4	1.49	19.6	1.46
Youngstown Sheet & Tube	139.0	2.37	104.9	1.98	102.4	1.34	117.6	1.82	105.8	.89
Zenith Radio	40.3	4.21	47.7	6.30	34.2	2.61	27.3	.94	29.3	1.68

(N.A.) Not Available.

* 2 for 1 stock split; 1 additional share to be distributed 6/13/55 for each share held of record 5/6/55.

** Adjusted for 2 for 1 stock split.

[1] 6 months.



How Long Can Boom in Steels Continue?

No. 7 of Our Special Studies of Major Industries

By W. L. SCHROEDER

The steel industry appears to be headed for a new peak in earnings this year, barring strikes of unusual intensity or a sudden halt in consumer buying. Neither of these events appears to be likely to occur during the rest of 1955.

In the first quarter, with operations averaging 88 per cent of capacity for the industry as a whole, compared with only 72.8 per cent in the same quarter of last year, net profits of some major producers were among the best in their history. Gains ranging around 50 per cent were not infrequent among the major producers on a rise of 20 to 25 per cent in output. Among the smaller companies, most of which were in red ink in the first quarter of 1954, the gains in earnings were even more dramatic, because these high cost producers in the first half of last year found it hard in a highly competitive market to get enough business at satisfactory prices to remain above their break even point.

For the second quarter, a further gain in output appears to be assured, but earnings of some major producers are not likely to increase proportionately on any additional rise in volume. During most of March and all of April, the industry has operated as a whole at close to 95 per cent of capacity, with some companies, such as Bethlehem, Wheeling, Armco and Inland at full theoretical capacity. But above 88 or 90 per cent of capacity, most large companies find it necessary to use high-cost inefficient coke ovens and older, smaller furnaces, and the earnings yield on such marginal operations is small. Some companies in the past have maintained that they can make about as much money at 85 to 88 per cent of capacity as they can make at 95 or 100 per cent. Due to modernization of equipment since 1953, the point at which payoffs are sharply reduced is probably around 90 to 95 per cent today.

This is probably true of U. S. Steel, Bethlehem, Republic, J. & L., Youngstown Sheet & Tube and National Steel, because all of these companies have some older high cost facilities which are retained for emergency use, rather than for any real contribution which they make to profits. These older facilities are now in operation.

Nevertheless, at the indicated operating rate of 95 per cent or better, for the second quarter, earnings of the industry should exceed the total for the first quarter by a good percentage, although the smaller integrated companies, and the semi-integrated and non-integrated producers will account for the best gains.

Outlook for the second half of the year has improved recently; this provides the basis for expectations that earnings in this period will come close to equalling the performance for the first half. If this proves true, an earnings record for the year is assured. Early in the year, it seemed that when the automobile industry passed its seasonal peak in June that demand for steel would slump sharply in July and August, and at best would come back slowly in the Fall. But now it appears that the auto industry will continue to operate in the third quarter at a

good though lower rate, and that rising demand from machinery lines and other sources will keep the steel industry operating at better than 80 per cent in the third quarter and probably at close to 90 or 95 per cent of capacity through the fourth quarter.

If these expectations are realized, the steel industry will come close to breaking the 1953 record output of 111.6 tons of ingots.

With first quarter output of 27.3 million tons bettered in the second quarter, by 2 to 3 million tons, this would make the first half output nearly 60 million tons. A minimum of 50 million tons is likely to be produced in the second half. This would mean output of at least 110 million tons, or 14 million tons more than the conservative estimates made by some steel leaders at the beginning of this year.

Gain in Efficiency

The remarkable efficiency achieved by major steel companies was illustrated by the first quarter

Comparative Earnings and Dividend Records of Leading Steel Companies

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield†	Price Range 1954-1955
Acme Steel	$ 2.35	$ 3.35	$ 1.88	$ 1.80	$ 1.60	$ 1.60	30	5.3%	30⅜-20½
Allegheny Ludlum Steel	3.37	4.40	2.30	2.00[1]	2.00[1]	2.00	47	4.2	49⅜-28¼
Armco Steel	6.01	6.50	7.86	3.00	3.00	3.00	79	3.7	79½-33¼
Bethlehem Steel	8.80	13.30	13.18	4.00	4.00	5.75	138	4.1	140 -50
Carpenter Steel	6.71	7.57	5.95	3.00	3.00	3.00	62	4.8	66 -40½
Colorado Fuel & Iron	2.64	3.09	2.46	1.50	1.50	......[2]	25	...	26⅛-15⅜
Copperweld Steel	4.38	5.05	1.32	2.00	2.00	1.80	24	7.5	24⅞-11⅜
Crucible Steel	6.13	5.29	2.80	......[4]	......[3]	......[3]	43	...	45¼-21¾
Detroit Steel Corp.	1.80	2.16	.49	1.00	.75[1]	......	14 -	...	15⅝- 8
Granite City Steel	2.83	3.77	2.04	1.10[1]	......[6]	......[5]	28	...	29½-14½
Inland Steel	4.85	6.90	7.92	3.00	3.50	3.75	74	5.0	76½-40⅞
Interlake Iron Corp.	2.75	2.96	1.61	1.50	1.50	1.50	24	6.2	25¼-14⅜
Jones & Laughlin Steel	2.91	4.77	3.80	1.80	1.95	2.00	39	5.1	39½-19¾
Keystone Steel & Wire	2.59	2.87	3.04	1.60	1.60	1.60	39	4.1	39 -20⅝
Lukens Steel Co.	7.29	11.35	6.34	2.50	4.00	2.50	45	5.5	51¾-38⅝
National Steel	5.11	6.71	4.13	3.00	3.25	3.00	71	4.2	71¼-46
Pittsburgh Steel	3.25	2.61	.62	......[3]	......[3]	......[3]	26	...	30⅝-12⅞
Republic Steel	7.21	9.25	7.10	4.00	4.12½	4.87½	85	5.7	89⅝-47⅜
Sharon Steel	4.65	6.10	2.85	4.00	4.00	2.50	45	5.5	45½-27⅛
U. S. Steel	4.54	7.54	6.45	3.00	3.00	3.00	85	3.5	85⅜-39
Wheeling Steel	6.44	7.49	5.48	3.00	3.00	3.00	56	5.3	58⅞-30⅛
Woodward Iron Co.	6.14	7.86	8.25	4.00	3.00	4.00	88	4.5	88¼-39⅜
Youngstown Sheet & Tube	6.84	9.21	6.02	3.00	3.00	3.75	79	4.7	84½-38

† Based on 1954 dividends.
[1] Plus stock.
[2] 7½% stock.
[3] 8% stock.
[4] 10% stock.
[5] 6% stock.
[6] 12% stock.

Acme Steel: Earnings for first quarter showed sharp recovery to 78 cents a share, more than double net for first quarter of 1954, on a gain of 50 per cent in dollar sales. Company expanding in specialties with acquisition of Howell company. (B)

Allegheny Ludlum Steel: This leading stainless steel producer has recovered full earning capacity, and may exceed the $4.40 a share earned in 1953. First quarter net equalled $1.37 a share, against 58 cents in the first quarter of 1954. Sales rose $8 million or 20 p.c. (B)

Armco Steel: Earnings this year should exceed $8 a share with capacity operations virtually assured for third year in a row. Expansion program will help future earnings. First quarter net $2.41 a share against $1.75 a year ago. (A)

Bethlehem Steel: Near capacity operations in second quarter will be supplemented by substantial rise in shipbuilding profits. Increased cash dividends assured, even if stock split is delayed. (A)

Carpenter Steel: Improvement in alloy and stainless steel business is materially helping earnings of this company. (B)

Colorado Fuel & Iron: Net in first quarter $1.04 a share, five times net of 20 cents for same period of 1954; Expansion in East and diversification of products aids long range outlook. (B)

Copperweld Steel: This specialty producer is showing sharp recovery in earnings. As a non-integrated producer, company's earnings fluctuate more sharply than major integrated companies. (C)

Crucible Steel: Producer of specialty and stainless steels, has enjoyed unusually sharp recovery in earnings in first quarter to $2.02 a share, eight times the 25 cents shown in same period of 1954. Second quarter will be as good as, or better than first. (B)

Detroit Steel: Small integrated producer of cold rolled strip for auto industry. Has enjoyed fine recovery in earnings. Sales doubled and profit rose to 42 cents a share in first quarter, against a loss a year ago. (B)

Granite City Steel: Location of this company is aiding it in achieving excellent sales of its sheets and other light rolled products. First quarter net $1.21 a share, against 31 cents a share in same period of 1954. (B)

Inland Steel: Chicago location assured peak rate for this producer for rest of year, with earnings better than $8 a share. (A)

Interlake Iron Co.: Improved operations and coke expansion program will boost this iron producer's earnings well above reduced 1954 level. Change in accelerated amortization is bolstering earnings report. (C)

Jones & Laughlin Steel: Earnings of this producer are exceeding earlier expectations and may run as high as $5.50 to $6.00 a share this year, permitting a dividend extra or increase. (B)

Keystone Steel & Wire: Upturn in farm demand for fencing and better sales of other light products is increasing earnings of this non-integrated Illinois producer. (B)

Lukens Steel: Earnings of this non-integrated producer of plate and heavy specialties fluctuates sharply. Rapid improvement in earnings since end of 1954. (B)

National Steel: Disappointing 1954 earnings of $4.12 a share were caused by reorganization of management of Great Lakes Steel subsidiary. Earnings this year should be at least $6.00 a share. (A)

Pittsburgh Steel: Breaking-in costs on new rolling mills, and strikes, held first quarter earnings to 42 cents a share; against net loss of 40 cents a share a year ago. Improvement indicated for second and third quarters. (C)

Republic Steel: Gain of nearly 35 per cent in first quarter output raised earnings to $2.38 a share, against $1.79 in first quarter of 1954. Further rise in earnings indicated for second quarter. (A)

Sharon Steel: This relatively high cost integrated producer has had a sharp recovery, in operations. Net in first quarter was $2.03 a share at full capacity, against only 6 cents a share in same period of 1954, with operations at 47 per cent. (C)

U. S. Steel: Big Steel's improved efficiency is reflected in sharp gain in first quarter net earnings. New stock to be issued following stock split may enjoy further dividend gains in years to come. Operating close to capacity. (A))

Wheeling Steel: Earnings in 1955 will show fine gain over $5.48 per share earned in 1954. Galvanized products selling well. Expansion program of $158,000,000 completed. (B)

Woodward Iron: Big Southern pig iron producer is benefitting by its location and is expected to show excellent earnings gain. First quarter net $1.49 a share, against 54 cents in same period of 1954. (B)

Youngstown Sheet & Tube: Big expansion program is paying off this year. Earnings should rise to better than $9. this year against $6.02 a share in 1954. Merger with Bethlehem Steel appears less likely. First quarter share net $2.73 a share. (B)

RATING: (A)—Sound commitment for long-term appreciation. (B)—Moderately attractive but more speculative than (A). (C)—Unattractive.
NOTE: New purchases should be correlated with market advices of A. T. Miller appearing in each issue.

Comprehensive Statistics Comparing the Position of

Figures are in millions, except where otherwise stated.	Allegheny Ludlum Steel	Armco Steel	Bethlehem Steel	Granite City Steel	Inland Steel	Jones & Laughlin
CAPITALIZATION:						
Long Term Debt (Stated Value)	$ 32.5	$ 64.0	$152.1	$ 29.6	$ 97.0	$113.9
Preferred Stocks (Stated Value)	$ 8.1	....	$ 93.3	$ 12.1	....	$ 29.3
Number of Common Shares Outstanding (000)	1,689	5,228	9,582	1,640	5,215	6,196
TOTAL CAPITALIZATION	$ 42.3	$116.3	$549.0	$ 62.3	$175.0	$205.3
INCOME ACCOUNT: For Fiscal Year Ended	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
Net Sales	$169.6	$532.0	$1,656.8	$ 69.2	$533.1	$492.9
Deprec., Depletion, Amort., etc.	$ 9.8	$ 32.2	$ 92.8	$ 3.0	$ 9.0	$ 33.7
Income Taxes	$ 4.4	$ 42.5	$119.0	....	$ 37.9	$ 22.5
Interest Charges, etc.	$ 1.0	$ 2.4	$ 6.8	$ 1.7	$ 3.2	$ 3.7
Balance for Common	$ 3.8	$ 41.1	$126.3	$ 4.0	$ 41.2	$ 23.5
Operating Margin	9.1%	14.6%	14.9%	14.7%	14.7%	10.6%
Net Profit Margin	2.5%	7.7%	8.0%	5.7%	7.7%	5.0%
Percent Earned on Invested Capital	5.3%	12.1%	12.3%	6.6%	14.3%	6.5%
Earned Per Common Share*	$ 2.30	$ 7.86	$ 13.18	$ 2.04	$ 7.92	$ 3.80
BALANCE SHEET: Fiscal Year Ended	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
Cash and Marketable Securities	$ 8.7	$ 59.2	$395.3	$ 7.2	$ 94.8	$ 61.6
Inventories, Net	$ 34.7	$122.6	$267.2	$ 19.9	$100.4	$ 90.2
Receivables, Net	$ 12.8	$ 39.7	$140.5	$ 4.2	$ 31.8	$ 39.7
Current Assets	$ 57.4	$221.6	$803.1	$ 31.6	$227.0	$191.5
Current Liabilities	$ 20.7	$ 78.3	$302.9	$ 14.1	$ 68.9	$ 67.6
Working Capital	$ 36.7	$143.3	$500.2	$ 17.5	$158.1	$123.9
Fixed Assets, Net	$ 75.7	$231.7	$742.8	$ 82.5	$209.0	$375.6
Total Assets	$135.8	$490.1	$1,613.4	$116.8	$460.6	$576.8
Cash Assets Per Share	$ 5.20	$ 11.32	$ 41.25	$ 4.44	$ 18.18	$ 9.94
Current Ratio (C. A. to C. L.)	2.8	2.8	2.6	2.2	3.3	2.8
Inventories as Percent of Sales	20.5%	23.0%	16.1%	28.7%	18.8%	18.3%
Inventories as Percent of Current Assets	60.5%	55.3%	33.2%	63.0%	44.2%	47.1%
Total Surplus	$ 70.2	$287.3	$683.0	$ 27.9	$210.3	$292.2

*—Data on dividend, current price of stocks and yields in supplementary table on preceding page.

report of U. S. Steel Corporation, largest producer in the industry. On a gain of only 5.1 per cent in sales, U. S. Steel chalked up an increase of 62 per cent in net profit. Its net of $2.49 a share set a record for the first quarter, comparing with $1.48 a share in the first quarter of last year.

Not only has U. S. Steel modernized and mechanized its entire plant, but it has enjoyed relief from the high starting up costs on new equipment, which has been a heavy drain on earnings during the last ten years. An indication of U. S. Steel's high efficiency was provided by the fact that despite the rise in sales from $830 million a year ago to $873.3 million in the first quarter of this year, employment costs dropped from $358 million to $355 million, while purchased goods and services declined from $307 million to $287 million. The latter decline was caused partly by the fact that U. S. Steel has installed new coke ovens, and does not have to buy coke as it did a year ago.

Currently operating at 95 per cent, and likely to continue this rate through the second quarter, U. S. Steel should step up its earnings in this period over the $2.49 earned on a rate of 85.5 per cent in the first quarter. The gain should be sufficiently large to offset the moderate third quarter seasonal dip and keep Big Steel earning on a basis of $9 to $10 a share on the old stock or $4.50 to $5 on the new stock resulting from the two-for-one split.

The upsurge of steel demand has come from a number of sources. Here are the most important elements in the upturn:

1. Steel demand and output was curtailed over 30 per cent at the bottom of the decline last year. This was more than twice the dip in actual consumption of steel. Steel operations traditionally receded faster and further than the rest of the economy on the way down. On the way up, the upturn in steel is faster. Steel users cut inventories in a recession, and tend to rebuild them as confidence returns.

Inventories were reduced to abnormally low levels last year, at the very moment when general business conditions were beginning to get better. Hence a scramble to buy steel has been under way, and most consumers have not been able to increase their inventories very materially. Steel output has lagged behind the upturn in demand.

2. Europe's economy has improved greatly during the last year. This has not only meant a great reduction in efforts to sell European steel at low prices in the American market, but European steel companies have been buying semi-finished steel, plate, tinplate and other products in large tonnages here. During the early months of this year, the European demand was mainly of help to large companies like U. S. Steel and Bethlehem, but since March, marginal producers have been materially aided by orders from abroad, at satisfactory prices. The European demand should stay at present levels at least through 1955.

3. The improvement in American business conditions has had a good solid foundation. Most users of steel, such as automotive, appliance and machinery producers, report a rise in incoming orders. This has made it necessary to order steel further ahead, and instead of buying 35 to 45 days needs, steel buyers

Leading Steel Companies

Lukens Steel	National Steel	Republic Steel	U. S. Steel	Wheeling Steel	Youngstown Sheet & Tube
$ 6.4	$ 55.0	$ 91.4	$324.1	$ 49.1	$100.0
....	....	....	$360.2	$ 36.3	....
318	7,341	7,325	26,391	1,425	3,353
$ 9.6	$128.5	$539.3	$1,564.1	$122.0	$205.2
10/23/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
$ 74.9	$484.0	$852.8	$3,241.3	$187.5	$428.1
$ 2.4	$ 37.6	$ 41.6	$264.5	$ 13.1	$ 36.8
$ 2.3	$ 27.7	$ 49.9	$190.0	$ 8.4	$ 12.1
$ .3	$ 1.7	$ 4.4	$ 5.1	$ 1.7	$ 3.3
$ 2.0	$ 30.3	$ 52.8	$195.4	$ 7.8	$ 20.1
5.7%	11.4%	12.1%	11.6%	9.2%	7.1%
2.7%	6.2%	6.2%	6.0%	5.1%	4.7%
7.4%	8.1%	9.8%	8.2%	6.1%	6.0%
$ 6.34	$ 4.13	$ 7.10	$ 6.45	$ 5.48	$ 6.02
10/23/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
$ 3.4	$ 91.4	$ 81.8	$639.5	$ 16.6	$111.8
$ 12.2	$ 71.5	$176.3	$471.4	$ 56.8	$ 85.0
$ 5.9	$ 46.9	$ 67.0	$214.9	$ 13.3	$ 43.3
$ 21.9	$209.8	$325.2	$1,326.0	$ 86.9	$240.1
$ 8.0	$ 88.1	$ 98.8	$574.0	$ 22.9	$ 57.0
$ 13.9	$121.7	$226.4	$752.0	$ 64.0	$183.1
$ 18.4	$295.5	$352.3	$1,925.7	$137.9	$221.0
$ 41.6	$547.9	$747.9	$3,348.6	$238.9	$500.5
$ 10.69	$ 12.45	$ 11.16	$ 24.23	$ 11.70	$ 33.34
2.6	2.3	3.2	2.3	4.0	4.2
16.3%	14.7%	20.6%	14.5%	30.2%	19.8%
55.8%	34.1%	54.2%	35.5%	65.4%	35.4
$ 23.9	$299.2	$366.5	$1,108.7	$ 83.8	$227.5

now feel that a 60 days supply is the minimum that they would like to keep on hand. The continued high level of home building and public construction, including roads, is an important element in the upturn. It is encouraging to note that the capital goods producers of machinery report better bookings, indicating that their steel needs will increase.

4. The easy money policy of the Eisenhower Administration has not been reversed, and this is contributing to demand for many consumer goods products which are bought on the instalment plan. During the second half, consumer demand may be stimulated again by a broad round of wage increases, which are likely to average nearly twice the size of last year's wage settlements.

5. Steel buyers are trying hard to stock more steel in advance of July 1, when the United Steel Workers-CIO is likely to receive a wage rise of 10 cents or more. This is almost certain to result in a rise of around $3 a ton in steel prices. The industry was able to pass along its higher wage costs last July, when operations were only at 65 per cent of capacity, and when competition for business was extremely keen. Therefore, steel makers would not have the slightest difficulty in raising prices this year, to offset higher wage costs. Steel buyers know this, but they have been unable to add materially to their stocks of steel thus far, and probably will still be eager to add to inventories when the price rise is announced around July 1. Hence, there is not believed to be much basis for fear that the price rise this year will be accompanied by any material decrease in the demand for steel. Major producers are confident that through the third quarter, their operating rate will not drop below 80 to 85 per cent of capacity. But of course, a stubborn strike at General Motors or Ford if it occurs, could cut production 5 to 10 points below that level. The keen struggle for leadership in the low priced auto field seems to point towards a settlement, particularly since demand for cars has been breaking all records.

The steel industry has substantially improved its operating efficiency in the last two years. It has maintained this high efficiency thus far this year, particularly on the new highly mechanized facilities that were completed during the big expansion program from 1950 to 1953.

General Demand for Steel

When steel operations first began to rise, last September, it was the big surge in auto requirements that sparked the upturn. Auto demand has remained strong. But virtually all other kinds of finished steel products are now in better demand, and seem likely to stay so for some months. Incoming business in some weeks has run 50 per cent ahead of the demand. Admittedly, some of these orders will be cancelled if there is an auto strike, or if the auto demand drops off sharply in the summer. But steel demand is regarded as good for hot and cold rolled sheets, enameling sheets and stainless sheets for the rest of this year because the auto demand shows little sign of slumping sharply even during the Summer months.

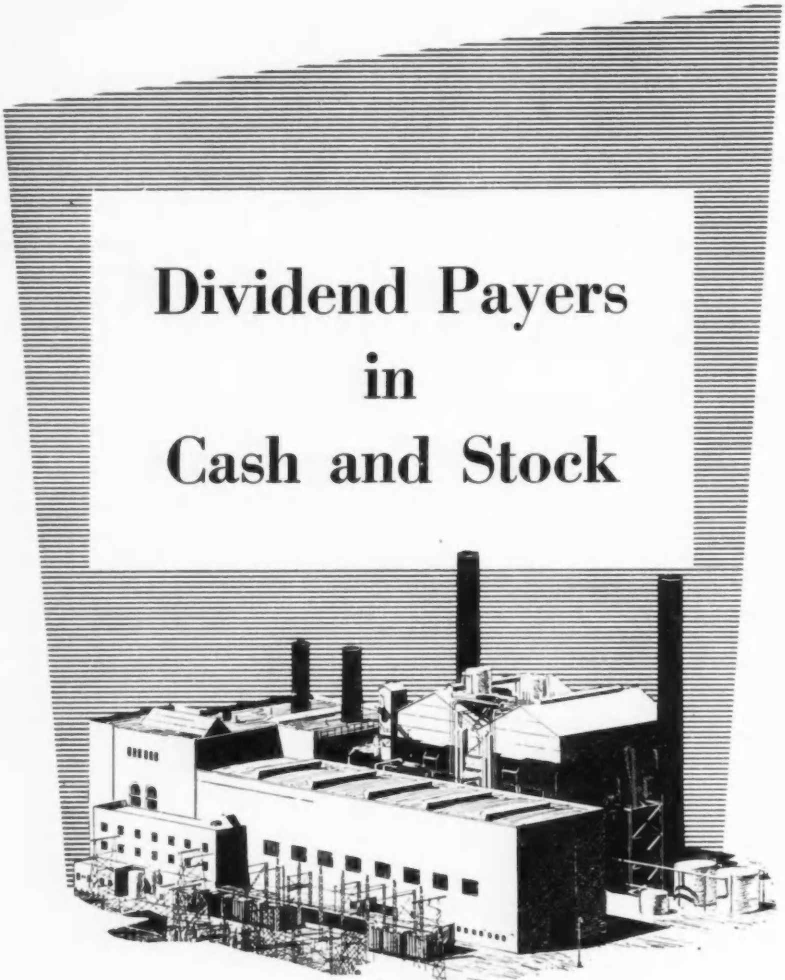
Carbon steel and alloy bars look strong through the third quarter. Plate demand, too, appears solid through the third quarter. Structurals are already solidly booked through July and August. Oil Country goods, too, appears strong through the third quarter, while electric weld line pipe appears good well into the third quarter. Wire demand has been surprisingly strong, with general manufacturing requirements supplementing a good demand for farm fencing.

Virtually all industries are ordering steel actively with the exception of the railroad equipment industry. This appears to be picking up slowly.

The best indication of what has been accomplished through mechanization is provided by employment figures of the industry. In February, 1955, production totaled nearly 8.5 million tons of ingots—or at the rate of 100 million tons a year, or at 88 per cent of capacity. This was only 10 per cent below the peak levels of 1953. Yet employment in February in the steel industry totaled only 616,400, compared with the record level of 690,000 in mid-1953. In April, steel production set a new all time record for the month of about 9,840,000 tons, compared with 6,970,000 tons for April 1954. Yet employment this April remains many thousands of workers below the level of 1953, and only slightly above the 1954 level.

The new mills completed in the 1951-1953 period, such as U. S. Steel's Fairless Works, and the many new furnaces and rolling mills of Bethlehem, Republic, Jones & Laughlin and Armco, are now well broken in and are (*Please turn to page* 267)

Dividend Payers in Cash and Stock



By RICHARD COLSTON

Among common stocks listed on the New York Stock Exchange are a limited number whose companies have adopted a policy of paying dividends in both cash and stock at regular intervals. There are, of course, other companies that have paid one or two stock dividends over a period of time, or at one time or another have increased shareowners' holdings through stock splits. These actions, however, are sporadic whereas the stocks to which specific reference is made in this article are those of companies which while paying regular cash dividends, usually on a quarterly basis, also pay regular stock dividends. Included in this latter category are some of the nation's greatest industrial corporations such as Sun Oil, Eastman Kodak, International Business Machines, Gulf Oil, and Rohm & Haas.

The principal purpose of this policy of paying regular stock dividends in addition to cash distributions, is to permit the retention of a greater proportion of earnings for expansion and development than would otherwise be possible unless recourse was had to outside financing. Although shareowners, because they are receiving smaller cash dividends than earnings would appear to permit are, in a sense, providing the funds for expansion, they benefit from this policy through a steadily increasing stock participation in the company's growth and its attendant expansion in earnings as well as cash dividends.

Stocks of companies that have adopted the policy of paying regular cash and stock dividends should have great attraction for investors in the higher income tax brackets. This for the reason that while ownership of equities in this group will give such investors some cash income, they will be adding to the value of their investment through the receipt of stock dividends which, except in highly specialized instances, are not subject to the income tax.

The accompanying tabulation lists a number of companies that have been paying cash and stock dividends, most of them for the last five years, at least. Brief analyses of several companies in this list follow:

Sun Oil Co., has a long record of cash and stock dividends. It has paid cash dividends in each of the last 51 years, and with the exception of omissions in six scattered years, has paid stock dividends in every year since 1925. Within more recent times, following a 5-for-4 split in 1947, Sun's equity holders received stock dividends of 20% in 1948; 10% in 1949, 1950, 1951, and 8% in 1952 and again in 1953. Another 5-for-4 split took place in 1954. In all of these years, cash dividends were maintained at $1.00 a share annually.

Considering that annual earnings, based on amount of common stock outstanding in each of the past 7 years, averaged better than $6 a share, these cash dividends were merely token payments. For years, Sun Oil has been ploughing retained earnings and internally generated funds back into the business. From 1946 to 1954 inclusive, Sun spent $724.6 million for modernization and expansion of facilities, and for intangible development costs. Within the eight years to the end of 1954, common stockholders' equity, including earnings employed in the business, has increased from $156.2 million to $410.3 million. In the same time, reflecting the transfer of earnings employed in the business to stockholders' equity, a stockholder with 100 shares, assuming the purchase of that number before the 1947 stock split, now holds 291 shares. The 1947 high for the stock was 75½. The original 100 shares, if bought at that

price would have involved a commitment of $7,500. Current holdings, increased solely by stock splits and stock dividends, at today's price of 71½ have a market value of $20,850 and yield on the original investment a return of 3.84% from cash dividends.

Sun Oil has kept its finances strong. Aside from $11.8 million in subsidiaries' notes payable—reduced from $19.2 million a year ago—and 93,197 shares of its own 4½% $100 par preferred stock, its only capital issue is the common stock. At the end of 1954, current liabilities amounted to $63.4 million as compared with current assets of $144.5 million which included $32 million cash.

Eastman Kodak Co., with an unbroken cash dividend record extending over the last 54 years, inaugurated a policy of paying stock dividends, in addition to cash, back in 1949. In that year it distributed 5% in stock and duplicated this distribution in 1950. In 1951 and again in 1952, it paid 10% in stock, followed by payments of 5% in 1952, 1954 and in the first half of 1955. Since 1949, annual cash distributions have increased from $1.70 a share to $2.00 a share last year and continued into 1955 to date, plus an extra payment of 20 cents.

Eastman Kodak's adoption of the policy of paying dividends in both cash and stock is related to its long-range capital investment program for plant improvement and expansion of its several divisions in the camera and photographic materials and the chemical fields. In carrying out this program it has spent, since 1946 to the end of last year, approximately $344 million, all of which has come from earnings. In the same period, net sales have more than doubled, increasing from $274.7 million for 1946 to $633.6 million in 1953, and falling just short of this record high in 1954, net sales in the latter year amounting to $633.4 million.

Last year, however, earnings, reflecting new and better equipment, improved processes, and an increased number of products, as well as the saving of excess profits tax, were at a record high of $69.8 million, equal to $3.99 a common share. This compares with 1953 net earnings of $50.1 million, or $2.86 a share.

Through the entire period in which Eastman has been progressing with its long-range integrated improvement and expansion plans, it also has been steadily increasing its financial strength. Working capital last year was increased by close to $16 million, bringing the total at the end of 1954 to $204.8 million, up from $115.6 million at the close of 1946, with net worth increasing from $242.3 million in that year to $453.1 million in 1954.

In 1949, Eastman Kodak common had a market range between 38⅜ low and 48¼ high. A purchase of 100 shares at the highest price in that year would have required $4,825. Stock dividends paid in subsequent years, including the recent 1955 distribution, would have increased the original commitment to 140 shares with a current market value of 79, bringing the market value of the original investment up to $11,060. Meanwhile, the increasing rate of annual cash dividends would have provided a substantial return on the investment on which the current yield, with cash dividends at an indicated annual rate, would be 6.3%.

The Mead Corporation, a leading manufacturer of paper and paperboard with a 50-year background and which today is producing within its own mills 90% of the woodpulp required in its operations. Shortly after the end of World War II, Mead embarked on an extensive improvement and expansion program involving expansion of timberland holdings, construction of new pulp and paper mills and providing new and *(Please turn to page 268)*

14 Companies Paying Dividends in Cash and Stock

	Earnings Per Share 1951	1952	1953	1954	1st Quar. 1955	Price Range 1954-1955	Recent Price
Addressograph-Multigraph	$6.84	$5.84	$5.74	$5.92	$3.38[5]	93¼ — 58	90
Stock	3%	3%	3%	3%	—		
Cash	3.00	3.00	3.00	3.00	1.50*		
American Stores	3.88	3.91	5.46	5.50[1]	—	62¾ — 44⅛	50
Stock	—	—	—	5%	5%*		
Cash	2.00	2.00	2.00	2.00	1.00*		
Black & Decker	6.36	5.74	6.49	6.66	2.21[6]	61 — 36½	57
Stock	—	3%	3%	3%	—		
Cash	3.00	2.00	2.00	2.00	.50*		
Eastman Kodak	2.95	2.74	2.86	3.99	.84	79⅝ — 46¾	79
Stock	10%	10%	5%	5%	5%*		
Cash	1.80	1.80	1.80	2.00	1.20*		
Grand Union Co.	2.72	2.36	3.09	3.75	—	61½ — 31⅝	58
Stock	[3]	5%	5%	5%	4%*		
Cash	1.00	1.00	1.00	1.00	.50*		
Gulf Oil	6.17	6.01	7.13	7.16	NA	72⅜ — 45⅞	69
Stock	100%	4%	4%	4%	—		
Cash	4.00	2.00	2.00	2.00	.50*		
Hunt Foods	4.72	2.62	1.18	2.38	NA	25½ — 13¾	25
Stock	5%	5%	5%	5%	—		
Cash	—	—	.60	.60	.30*		
Int. Business Machines	6.80	7.29	8.53	11.35	2.78	450 —196	432
Stock	5%	5%	5%	2½%	—		
Cash	4.00	4.00	4.00	4.00	1.00*		
Mead Corp.	5.16	4.97	4.41	4.62	1.37	63¾ — 27½	63
Stock	—	2%	2½%	2½%	—		
Cash	2.00	1.60	1.65	1.85	.50*		
National Gypsum	3.12	2.84	2.71	4.56	1.24	55¾ — 20¼	47
Stock	2%	2%	2%	2%	2%*		
Cash	1.40	1.40	1.40	1.75	1.00*		
Rohm & Haas	7.48	5.73	6.73	12.52	4.29	370 —148	370
Stock	4%	4%	4%	4%	—		
Cash	1.60	1.60	1.60	1.60	.80*		
Ruberoid	3.62	3.10	3.34	3.13	NA	50½ — 27½	42
Stock	5%	5%	5%	2½%[4]	—		
Cash	3.50	3.50	3.50	2.00	.40*		
Sun Oil	4.70	4.45	4.68	4.17	NA	75½ — 55¼	71
Stock	10%	8%	8%	8%	—		
Cash	1.00	1.00	1.00	1.00	.50*		
Visking Corp.	3.95	3.67	4.59	5.03	NA	90¾ — 57	85
Stock	5%	—	10%	5%	—		
Cash	1.50	2.00	2.00	2.00	.50*		

NA Not available.
* To-date.
1 Estimated; year ended 3/31/55.
2 Estimated; year ended 2/28/55.
3 1/5 share of 4½% preferred.
4 Plus 2 for 1 stock split.
5 6 months ended Jan. 31, 1955.
6 3 months ended Dec. 31, 1954.

No. 8 of Our Special Studies of Major Industries

1955 Prospects for

AUTOS — ACCESSORIES — TIRES

By GEORGE L. MERTON

Prosperity abounds in the automotive industry, but few are happy. Record production and sales are in sight for 1955. Yet dealers are griping over thin margins, labor is dissatisfied with its lot and many manufacturers can offer stockholders little encouragement in the way of dividends. It's a strange situation that calls for extreme discrimination on the part of investors in appraising stocks notwithstanding the fact that a record volume of business is being transacted.

To appreciate the need for careful examination of individual companies it is well to review some of the basic factors which have brought about the unusual situation confronting this major industry. In the first place, motor car production has far surpassed earlier optimistic forecasts and this seeming oversupply has raised doubts over future manufacturing schedules. Operations through the early months of the year have been complicated by fear of a stalemate in wage negotiations and a prolonged strike in plants of the two largest producers. Abnormal conditions have contributed to doubts on the part of business men, economists and investors.

Secondly, great changes have been taking place within the industry itself. The third largest factor in passenger cars, namely, Chrysler, has recovered from last year's inertia and with great aggressiveness has recaptured its traditional proportion of the business available. Smaller independents have consolidated in an effort to achieve economies through joint effort and by means of increased mechanization. Competition has intensified all through the sales organizations with the result that the major manufacturers have strengthened their competitive position at the expense of the small independent companies. This trend poses many problems for the investor which only future developments can answer.

Looking more closely at the current sales picture, it may be well to consider what has been taking place and its significance. Although official tabulations are unavailable at the moment, it seems apparent that production and sales of 1955 passenger cars for the first four months reached unprecedented totals. What has caused this tremendous upsurge in business? Opinions differ, and the very fact that conflicting reasons are presented is significant. The real reason will be evident a few months hence.

Factors Behind Auto Demand

Optimists insist that this boom demand has been stimulated by several factors. (1) Attractive restyling in virtually all models offered to the public this year; (2) restoration of confidence in business conditions that has encouraged consumers to purchase motor cars and other wants on installment contracts with assurance that payment can be completed; (3) rising national income evidenced by larger family-unit wages and by increased rates in prospect; (4) the widespread shift in population to

Statistical Data on Auto, Auto Accessory and Rubber & Tire Companies

(A) LEADING AUTO AND TRUCK MANUFACTURERS

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield(†)	Price Range 1954-1955
American Motors Corp.	$	$	$ (d) 1.95	$	$	$ .12½	12	....	18⅛- 9¾
Chrysler	9.04	8.59	2.13	6.00	6.00	4.50	81	5.5%	82⅜-56¼
Fruehauf Trailer	3.61	4.46	2.44	2.00	2.00	2.00[1]	38	5.2	39¾-23⅛
General Motors	6.26	6.69	9.06	4.00	4.00	5.00	98	5.1	107⅜-58¾
Mack Trucks	.70	1.63	.85	1.00	....	[2]	24	....	24¾-12½
Studebaker-Packard	....	....	(d) 4.06	....	....	....	13	....	15⅜-11⅝
White Motor Co.	4.44	6.20	5.37	2.50[1]	2.50	2.50[1]	40	6.2	42 -27

† Based on 1954 dividend. [1] Plus stock. [2] 5% stock.

(B) LEADING AUTO ACCESSORY COMPANIES

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield(†)	Price Range 1954-1955
Bendix Aviation	$ 3.61	$ 4.10	$ 5.62	$ 1.87	$ 1.50	$ 2.00[1]	57	3.5%	59½-30
Borg-Warner	3.11	3.26	3.27	1.66	1.66	1.66	45	3.6	45⅞-24⅞
Bower Roller Bearing	2.99	3.06	2.67	2.00	2.00	2.00	33	6.0	35 -25½
Eaton Mfg.	5.27	5.41	4.78	3.00	3.00	3.00	54	5.5	54¾-37⅝
Electric Auto-Lite	6.55	6.73	.45	3.00	3.00[1]	1.50[1]	43	3.4	45⅞-33
Electric Storage Battery	2.48	1.87	8.58	2.00	2.00	2.00	33	6.0	34¼-23
Houdaille-Hershey	2.22	3.27	.97	1.25	1.50	.90	14	....	16⅝-12¼
Motor Products	6.11	6.62	(d) 2.41	2.00	2.00	.50	23	....	24½-16¼
Rockwell Spring & Axle	2.97	3.12	2.65	....	.50	2.00	28	7.1	28½-24⅛
Stewart-Warner	3.30	3.04	2.05	1.75	1.80	1.95	25	7.8	28⅞-19½
Thompson Products	3.42	3.56	4.25	1.00	1.00[1]	1.10	57	1.9	60½-24¾
Timken Roller Bearing	4.38	4.48	4.40	3.00	3.00	3.00	53	5.6	54½-36⅛

† Based on 1954 dividend. [1] Plus stock.

(C) LEADING TIRE & RUBBER STOCKS

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield(†)	Price Range 1954-1955
Dayton Rubber	$ 2.47	$ 2.57	$ 1.81	$ 2.00	$ 2.00	$ 1.25	21	5.9%	22¾-12⅝
Firestone Tire & Rubber	5.45	5.89	5.03	1.75	1.87½	1.87½	60	3.1	62¾-31½
General Tire & Rubber	4.82	4.91	3.18	2.00	2.00	2.00	57	3.5	59⅞-29⅛
Goodrich (B. F.)	3.80	4.08	4.40	1.32½	1.37½	1.60	65	2.4	66½-38½
Goodyear Tire & Rubber	4.15	5.14	5.04	1.50[1]	1.50[1]	1.62½	62	2.6	62½-26⅜
Lee Rubber & Tire	2.22	2.00	1.66	1.16[1]	1.33[1]	1.33	22	6.0	25 -16⅛
Seiberling Rubber	1.48	2.11	.02	1.00	1.00	.30	9	....	10¼- 7⅝
U. S. Rubber	4.33	5.19	4.29	2.00	2.00	2.00	47	4.2	48 -29¼

† Based on 1954 dividend. [1] Plus stock.

American Motors: Economies effected in consolidation of manufacturing activities expected to permit satisfactory progress by concentration on fewer models. (C)

Chrysler Corp.: Aggressive promotion enables company to recapture virtually 20 per cent of industry sales. Sharp recovery of volume expected to bolster earnings significantly. (B)

Fruehauf Trailer: Trend toward larger volume of shipments and need for operating economies strengthen competitive position of leading trailer maker. Gain in earnings anticipated. (B)

Mack Trucks: Increased consumer demand contributing to brighter sales outlook expected to stimulate sales. Company regarded as a logical merger candidate. Dividend resumption uncertain. (B)

Studebaker-Packard: Progress in lowering costs encourage hope of gaining dominant position in independent field, but more concessions are sought in labor negotiations. (B)

White Motor: Benefits of consolidations evident in earnings. Recovery in demand points to good year in 1955. Narrower margins indicated and possibly slightly lower earnings. (B)

Bendix Aviation: Although automotive products remain important, aircraft industry accounts for two-thirds of sales. Defense volume may decline slightly. Earnings at high level. (B)

Borg-Warner: High rate of Ford output and recovery by independents expected to boost company's sales. Favorable showing of household appliances aids earnings. Further dividend rise. (A)

Bower Roller Bearing: With major customers in auto lines registering progress, demand for roller bearings should improve. Moderate increase in earnings and possibly extra dividend seen. (B)

Eaton Manufacturing: Growing emphasis on power steering expected to stimulate growth. Upturn in truck output favorable for sales. Moderate gain in earnings likely. Dividend secure. (B)

Electric Auto-Lite: With benefits of increased shipments to Chrysler, largest customer, this company should experience outstanding recovery in sales and earnings. Dividend restored. (B)

Electric Storage Battery: Return to profitable operations indicated after difficult year. Strong financial position expected to assure dividend which may be barely earned. (B)

Houdaille-Hershey: Boom in passenger car output accounts for recovery in volume. Merger with Frontier Industries expected to aid diversification and speed dividend payments. (B)

Motor Products: Heavy expenditures on retooling for industry's model changes and plant modernization programs impose handicap on earnings, indicating deficit for 1955 fiscal year. (C)

Rockwell Spring & Axle: Improved results from sales of truck axles and from increased volume in bumpers expected to sustain earnings despite drop in defense orders. Dividend secure. (B)

Stewart-Warner: Earnings recovery indicated with elimination of unprofitable radio and TV activities and concentration on automotive lines. New products expected to add volume. (B)

Thompson Products: Large expansion in aircraft parts reduces auto lines to about 20 per cent of total. Emphasis on new products sustains volume. Higher earnings indicated. (B)

Timken Roller Bearing: Strong competitive position bolsters volume in automotive field. Larger volume foreseen this year with rise in earnings providing greater coverage for dividend. (B)

Dayton Rubber: Rise in original equipment tire sales and aggressive development of foam rubber and other products for non-automotive outlets expected to bolster earnings sharply. (B)

Firestone Tire & Rubber: Favorable growth trend likely to continue with emphasis on retail sales and development of new products. Sales gain this year likely to bolster earnings. (A)

General Tire & Rubber: Strong trend toward diversification in rocket and missile development as well as in radio broadcasting activities expected to favor growth in volume. (A)

B. F. Goodrich: Improved results anticipated from progress in chemical, plastics and foam rubber output as well as from improved margins on tire and mechanical rubber goods. (A)

Goodyear Tire & Rubber: Higher prices likely to sustain margins on tire, while increased volume in non-automotive lines should bolster earnings. Increase in dividends indicated. (A)

Lee Rubber & Tire: Relaxation in competition in replacement tire market likely to aid margins this year and encourage earnings gain. Company regarded as a potential merger candidate. (B)

Seiberling Rubber. Dependence on replacement tire market contributes to wide fluctuations in earnings. Management seeks development of new products. Modest earnings gain seen. (C)

U.S. Rubber: Better margins on tires and expansion in mechanical rubber and textile output expected to improve results. Adequate coverage indicated for $2 annual dividend. (B)

RATING: (A)—Sound commitment for long-term appreciation. (B)—Moderately attractive but more speculative than (A). (C)—Unattractive.
Note: New purchases should be correlated with market advices of A. T. Miller appearing in each issue.

Comprehensive Statistics Comparing the Position of Leading Auto

Figures are in millions, except where otherwise stated.	AUTOS Chrysler	General Motors	AUTO ACCESSORIES Bendix Aviation	Borg Warner	Eaton Mfg.
CAPITALIZATION:					
Long Term Debt (Stated Value)	$ 62.5	$300.0	....	....	....
Preferred Stocks (Stated Value)	....	$283.5	....	$ 16.7	....
Number of Common Shares Outstanding (000)	8,702	87,494	4,546	7,324	1,789
TOTAL CAPITALIZATION	$280.0	$1,026.0	$ 11.3	$ 54.8	$ 3.5
INCOME ACCOUNT: For Fiscal Year Ended	12/31/54	12/31/54	9/30/54	12/31/54	12/31/54
Net Sales	$2,071.6	$7,823.5	$607.7	$380.3	$165.2
Deprec., Depletion, Amort., etc.	$ 87.3	$232.9	$ 6.9	$ 9.5	$ 4.9
Income Taxes	$ 2.6	$838.9	$ 36.2	$ 24.4	$ 8.8
Interest Charges, Etc.	$ 1.1	$ 9.7	$ 1.8	....	....
Balance for Common	$ 18.5	$793.0	$ 25.5	$ 23.9	$ 8.5
Operating Margin	.8%	16.8%	10.1%	12.4%	10.2%
Net Profit Margin	.9%	8.2%	4.2%	6.4%	5.1%
Percent Earned on Invested Capital	3.1%	24.1%	17.3%	12.2%	12.9%
Earned Per Common Share*	$ 2.13	$ 9.06	$ 5.62	$ 1.96	$ 4.78
BALANCE SHEET: Fiscal Year Ended	12/31/54	12/31/54	9/30/54	12/31/54	12/31/54
Cash and Marketable Securities	$162.6	$526.3	$ 51.9	$ 76.1	$ 12.5
Inventories, Net	$258.4	$1,325.8	$100.1	$ 66.6	$ 19.2
Receivables, Net	$162.6	$573.3	$ 80.9	$ 41.0	$ 15.3
Current Assets	$592.4	$2,425.5	$232.9	$183.7	$ 47.1
Current Liabilities	$385.6	$1,074.9	$132.3	$ 69.5	$ 21.7
Working Capital	$206.8	$1,350.6	$100.6	$114.2	$ 25.4
Fixed Assets, Net	$428.2	$2,161.1	$ 46.5	$ 75.6	$ 39.8
Total Assets	$1,034.5	$5,130.0	$285.4	$269.4	$ 88.0
Cash Assets Per Share	$ 18.68	$ 6.01	$ 11.41	$ 10.39	$ 7.03
Current Ratio (C. A. to C. L.	1.5	2.2	1.7	2.6	2.1
Inventories as Percent of Sales	12.4%	13.4%	16.4%	17.5%	11.6%
Inventories as Percent of Current Assets	43.6%	54.6%	42.9%	36.2%	40.7%
Total Surplus	$368.9	$2,612.9	$136.1	$145.2	$ 62.7

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

suburban areas where motor car transportation becomes increasingly essential; and (5) the trend in this environment toward dependence on two cars or more for each family.

Those holding contrary views assert that the primary motive for enlarged output is to provide dealers with extensive inventories at the peak selling season in event of a prolonged strike. Labor sympathizers go further in intimating that filling distribution pipelines is designed to strengthen the hand of management in negotiating new contracts by suggesting that a shutdown of plants would cause no inconvenience. Others attribute the exceptionally high rate of consumer interest to a general conviction that war is imminent and that an outbreak of hostilities probably would necessitate suspension of automobile production. Dealers themselves have been heard to complain that they are being driven to aggressive selling efforts by manufacturers who persist in shipping new cars in a volume in excess of actual orders. Thus distributors are being compelled, it is contended, to grant unusual concessions on used cars in order to keep new models moving. Their normal profit margins are being reduced to nominal proportions in some instances, it is charged.

Price Discounts on New Cars

As the peak retail marketing season approaches, there is considerable disagreement over the question of available stocks on hand. Used car lots appear to be overcrowded in metropolitan areas, indicating that numerous 1955 models may be finding outlets as used cars. Trade authorities report that so-called bootlegging of new cars by unauthorized dealers has been active in many areas, and some manufacturers have taken steps to check such practices. It has been generally agreed that new or almost new cars have been offered at prices well below listed quotations in highly competitive areas. Such conditions undoubtedly have contributed to enlarged sales. Presumably many franchised dealers have been compelled to ship new models to unauthorized distribution channels in other territories in order to keep their inventories in balance.

Notwithstanding reports of distress, however, manufacturers have insisted that dealer stocks have not been excessive in relation to the business handled and with due allowance for the season ahead. Dealers have been accustomed to taking orders from catalogs or advertising folders instead of from salesroom samples, according to manufacturers, and therefore find a return to prewar competitive marketing difficult. Detroit officials have been endeavoring to persuade dealers to regain aggressive merchandising techniques of a previous generation through display of a wide variety of models.

Cars in the hands of dealers and in transit from manufacturing plants have been increasing in number in recent weeks. The total at the end of March

& Truck, Auto Accessory and Tire & Rubber Companies

Eaton Mfg.	Electric Auto-Lite	Electric Storage Battery	Thompson Products	Timken Roller Bearing	Firestone Tire & Rubber	Goodrich (B. F.)	Goodyear Tire & Rubber	U. S. Rubber
	AUTO ACCESSORIES (Cont.)				TIRE & RUBBER			
....	34.3	....	$ 14.4	....	$114.5	$ 51.6	$191.4	$120.8
....	....	....	$ 8.8	....	$ 6.8	....	....	$ 65.1
1,789	1,601	907	2,663	2,421	8,010	8,812	9,106	5,302
$ 3.5	$ 42.3	$ 23.6	$ 36.5	$ 25.0	$171.2	$139.7	$236.9	$212.5
12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	10/31/54	12/31/54
$165.2	$197.0	$ 77.7	$268.9	$135.5	$916.0	$630.6	$1,090.0	$782.5
$ 4.9	$ 6.0	$ 2.2	$ 6.2	$ 6.3	$ 27.8	$ 16.1	$ 33.8	$ 17.6
$ 8.8	....	$ .3	$ 13.1	$ 11.9	$ 41.0	$ 36.4	$ 43.3	$ 26.5
....	$ .8	$ .3	$ 1.4	....	$ 4.5	$ 1.8	$ 7.0	$ 3.7
$ 8.5	$ .7	$ 7.7[1]	$ 11.3	$ 10.6	$ 40.2	$ 38.8	$ 45.9	$ 22.7
10.2%	....	1.9%	9.6%	16.3%	9.1%	11.7%	8.6%	7.3%
5.1%	.3%	10.0%[1]	4.3%	7.8%	4.4%	6.1%	4.4%	3.5%
12.9%	.7%	13.8%	14.5%	12.3%	12.1%	14.5%	16.6%	11.8%
$ 4.78	$ .45	$ 8.58	$ 4.25	$ 4.40	$ 5.03	$ 4.40	$ 5.04	$ 4.29
12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	10/31/54	12/31/54	12/31/54	12/31/54
$ 12.5	$ 24.0	$ 17.5	$ 13.3	$ 7.4	$ 65.1	$ 92.1	$ 51.0	$ 53.0
$ 19.2	$ 41.0	$ 17.1	$ 53.5	$ 44.4	$199.7	$121.5	$249.3	$189.6
$ 15.3	$ 28.5	$ 8.9	$ 26.2	$ 9.9	$128.2	$105.3	$168.4	$112.4
$ 47.1	$ 98.0	$ 44.0	$ 93.1	$ 61.7	$393.1	$319.0	$468.8	$355.1
$ 21.7	$ 25.8	$ 15.0	$ 41.8	$ 16.0	$ 92.4	$ 93.4	$106.8	$122.6
$ 25.4	$ 72.2	$ 29.0	$ 51.3	$ 45.7	$300.7	$225.6	$362.0	$232.5
$ 39.8	$ 59.5	$ 29.6	$ 38.7	$ 42.1	$173.3	$138.1	$190.4	$135.0
$ 88.0	$157.8	$ 74.2	$136.5	$107.6	$576.7	$464.1	$668.6	$497.0
$ 7.03	$ 15.02	$ 19.31	$ 5.02	$ 3.07	$ 8.12	$ 10.45	$ 5.60	$ 10.01
2.1	3.7	2.9	2.2	3.8	4.2	3.4	4.4	2.9
11.6%	20.8%	22.0%	20.0%	32.7%	21.8%	19.2%	22.9%	24.2%
40.7%	41.9%	38.9%	57.5%	72.0%	50.8%	38.1%	53.1%	53.3%
$ 62.7	$ 89.6	$ 32.6	$ 58.1	$ 61.6	$278.0	$178.6	$242.8	$144.9

[1]—Includes proceeds of sale of assets amounting to $8.6 million.

had climbed to about 639,000, according to trade records, the highest total since last June, and production was continuing to run ahead of sales last month. Although distribution set a new record for March with sales estimated at almost 700,000, factories turned out more than 780,000 new cars, it is estimated. Similar trends are believed to have prevailed in April, although preliminary figures indicated that the ratio of sales to production was rising.

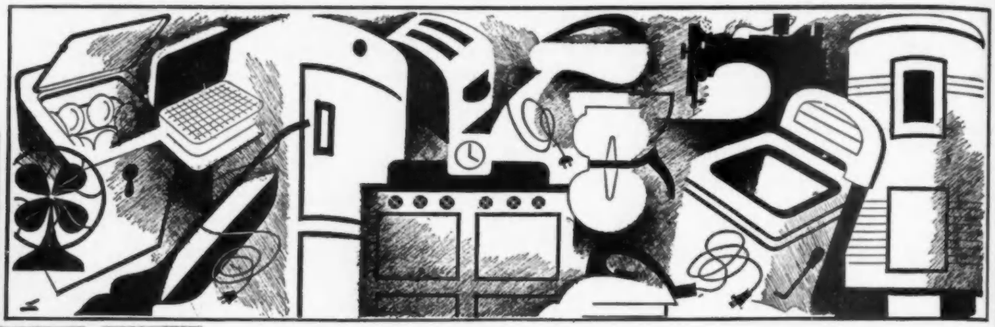
Need for maintenance of larger inventories in distributors hands has been emphasized by manufacturers by pointing out that larger sales this year require a greater number of units to maintain the customary 20 to 30 days supply on hand.

In spite of numerous complaints and pessimistic observations, virtually all segments of the industry appear headed for more satisfactory results than in 1954 — some more than others, of course. Starting with the major producers, one may surmise that both General Motors and Ford will turn in excellent 1955 reports, although it is a foregone conclusion that these two will fail to capture as high a proportion of total sales as in 1954, when they accounted for an estimated 82 per cent of passenger car business. Chrysler should regain its usual percentage this year of about one-fifth of the nation's total. The three independents may take care of between 5 and 7 per cent of the year's volume.

Financial results of motor car manufacturers may compare favorably with the 1954 showing with gains being more pronounced in the case of Chrysler and the independents. Despite keener competition, General Motors is expected to enlarge net profit from last year's $9.08 a share — with allowance, of course, for the larger capitalization now outstanding. Chrysler's earnings promise to register exceptional gains as compared with only $2.13 a share for 1954. Net this year may reach $9-$10 a share. American Motors and Studebaker-Packard would be happy to convert 1954 deficits to profits this year. The outlook for Kaiser Motors and its manufacturing subsidiary Willys Motors is uncertain at best.

The Independents

Hope for black figures among the smaller manufacturers is based on indications that operating economies can be achieved by concentration on fewer models, thus reducing tooling costs. In the case of American Motors, both Nash and Hudson standard-sized cars are fabricated from the same body shell. Likewise, the company is making the Rambler model bearing both the Nash and the Hudson emblems. Despite maintenance of dual distributing organizations, substantial economies have been obtained. Meantime, the Kelvinator division is believed to be enjoying a good year in line with the recovery experienced by producers of many consumer goods. The Kelvinator operation was the strong feature of the Nash setup. *(Please turn to page 270)*



GENERAL ELECTRIC

Its Long-Range Strategy for Growth

By ALLAN DARLEN

When General Electric tallied all its 1954 figures, it was able to inform its 295,945 share owners net earnings for the year reached an all-time high of $212.6 millions. This was $46.9 million, or 28 per cent greater than 1953 net of $165.7 million. The 1954 showing was equal to $2.46 a share compared with $1.92 in 1953 and $1.75 in 1952, based on the average number of shares outstanding after adjustment for the three-for-one stock split last June.

Again, as in the three previous years, sales were in multi-billion dollar volume. The 1954 total of $2 billion 959 million was the second highest in GE's history, being exceeded only by 1953's $3 billion 128 million and surpassing by 13 per cent 1952 sales of $2 billion 624 million. Most of the sales decline last year—$169 million or 5 per cent—from the 1953 high level occurred in defense business although the pattern of 1954 operations was affected by general economic conditions with business of GE's Industrial Products and Lamp Group, which sells products used as components by all of industry, being adversely affected by customer inventory adjustments in the first nine months of that year. In contrast, however, sales of the Apparatus Group were about equal to those of a year ago and the Appliance and Electronics Group showed an increase over 1953, and indications are that this gain will be maintained through 1955. As a matter of fact, sales of GE in the first quarter of this year, amounting to $765.9 million, were within two per cent of matching the record high set in the initial quarter of 1953, and were 7 per cent above last year's first quarter sales of $715.6 million. Net earnings for the March, 1955 quarter reached $50.5 million and were 5 per cent over the $48 million shown for 1954's first three months. This latter figure was equal to 56 cents a share compared with 58 cents a share to March 31, this year.

With the upsurge in general business continuing through the remaining months of the current year, GE is likely to establish another new record high in sales and net earnings, thus extending the trend which since 1946 has carried sales up from $768.9 million, to the multi-billion dollar level in each year since 1951. In the same period, net earnings have increased from $43 million, to 1954's all-time peak. This consistent growth, allowing for occasional dips, such as that recorded in 1954, is in keeping with the long-term trend over the next decade which GE's President Ralph J. Cordiner terms the 10 golden years of the electrical industry with General Electric likely by 1964, in terms of 1954 dollars, producing twice as much as it is now doing. By then, it is estimated, this country will be using a trillion kilowatt hours of electricity or more than twice the 410 billion-kwh., used in 1954. GE's role in this growth will be, in part, helping utility companies meet the increased demands both by adding new production facilities and by developing new and better equipment for generating and distributing electric power to enable the nation's electric utilities to properly service the growing list of electrical consumers.

A Billion Dollars for Expansion

General Electric, with about 200,000 products which it produces in 135 plants in 105 cities in 28 states, began preparing more than a decade ago for this growth. As a matter of fact, it has concentrated on long-range strategy. In past years, much of this growth came through mergers and acquisitions of other companies and businesses. This, however, was a comparatively slow process. To assure that the company maintained its share of the expanding market against the continuing efforts of its competitors GE, in 1946, under the guidance of forward-looking Cordiner who regarded the company, even as recently as 1953 when it did a business in excess of $3 billion, "as a young and growing organization in

a young and sprouting business" embarked on a broad post-war expansion program. Last year alone, investment for modernization and expansion of laboratories, plant and equipment totaled $158.8 million. These expenditures were approximately 13 per cent more than the $141 spent in 1953, and will be exceeded by the $165 million scheduled for 1955. By the end of this year total expenditures for expansion since 1946 will have reached $1 billion 100 million. This colossal sum spent by GE as a private enterprise expresses the company's confidence that as part of the electrical industry it is on the upsurge, and although 1955 marks the final year of its 10-year expansion program, it believes that its need for expansion and modernization will go beyond this period if it is to keep pace with the demands it expects to be made upon it as a manufacturer of electric equipment for industry, the farm and the home.

GE's Primary Product is Progress

GE looks to its expanding research program to maintain and accelerate this trend. Its slogan "Our primary product is progress" is a summation of its policy to constantly improve manufacturing methods and broaden laboratory and research activities as a source of new products, increase employment opportunities and widen markets. The importance GE puts on research is indicated by the new additions to its Research Laboratory at the Knolls, near Schenectady, N. Y., which, when completed this year, will bring total post-war investment in laboratory and developmental facilities at this and other locations to $155 million. So broad and varied is the work in these laboratories that it is impossible to enumerate any but a few of the outstanding achievements of GE scientists, metallurgists and engineers within the narrow confines of the last year or two. Probably one of the most publicized of these achievements has been General Electric's laboratory climaxing man's 125-year effort to duplicate nature's hardest and most glamorous substance by producing man-made diamonds. This was achieved after more than four years of intensive research, and while no accident, was but a part of a general program involving various materials subjected to combined high temperature and pressure. Diamonds of any quality, regardless of size and color—even diamond dust—are useful in industrial tools for cutting and polishing. If the present high cost of making diamonds by the GE process can be reduced, as is likely, great importance can be attached to this development because of the possibility of producing these "stones" as a logical extension of the company's interest in hard cutting materials represented by cemented carbides produced in its Carboloy Department. Here too, research made major contributions to the metal industry last year through the introduction of two new grades of cemented carbides capable of cutting more metal per tool dollar expended than has before been possible.

Not so spectacular as the man-made diamond was GE's development last year of a blood-warming device used to help save the lives of babies born with the wrong type of blood by a process regarded by physicians as one of the newer miracles of modern medicine. Another product capable of wide use in medical science as well as industry developed by GE research is an x-ray microscope that "looks inside" magnified specimens and magnifies up to 1,500 diameters. This new device, to be manufactured by GE's x-ray department, is expected to aid in the development of new alloys and in studies of corrosion and welding of metals; studies of tooth decay and diseases of the bones and other human ailments, and in the study of covering or bonding quality of paints, adhesives and finishes.

Many of GE's products are the result of long-range research planning. The silicone story, for instance, stems from years of pioneering that dates back to 1932 when it began experiments to develop new resins for electrical insulation purposes. Silicones, a new class of synthetic or man-made chemicals combining the best qualities of sand, coal and oil, were a curiosity in 1942 when GE constructed its first silicone pilot plant. Within the past 9 years the silicone industry has expanded 25 times, and the forecasts are that it will treble within the next four or five years because of their value in a constantly widening industrial and consumer end-use pattern. The silicones development by GE and their increasing use is a story in itself. Commercial responsibility for silicones, along with GE's increasing number of chemical products, was assumed by the company's Chemical Department formed in January, 1945, and later, in 1951, this responsibility was centralized in the silicone products department which is a component of GE's chemical division.

To recite each and every GE research development would be an almost endless task. One of its

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High — Low
1954	$2,959.0	$358.3	12.1%	$178.0	$212.6	7.2%	$2.45	$1.86	20.7%[1]	55¾-29
1953	3,128.1	429.4	13.7	308.5	165.7	5.3	1.92	1.33	17.7	30¾-66
1952	2,987.5	426.4	14.2	275.9	169.1	5.6	1.75	1.00	19.5	24¼-18⅛
1951	2,618.5	416.3	15.9	299.7	133.7	5.1	1.60	.95	17.0	21¼-16⅜
1950	2,232.8	388.5	17.4	221.3	177.7	7.9	2.00	1.26	25.5	16⅝-13⅜
1949	1,850.7	212.7	11.4	86.2	129.9	7.0	1.45	.66	21.3	14⅛-11¼
1948	1,864.9	229.6	12.3	109.4	131.5	7.0	1.43	.56	24.2	14¼-10½
1947	1,525.2	166.6	10.9	78.5	101.2	6.6	1.10	.53	24.5	13¼-10⅝
1946	911.9	13.3	1.4	—	43.7	4.8	.50	.53	12.0	17¼-11⅛
1945	1,466.4	148.6	10.1	99.4	58.3	4.0	.65	.51	15.8	16½-12⅝
10 Year Average 1945-1954	$2,154.5	$278.9	11.9%	$165.6	$132.3	6.0%	$1.48	$ .91	19.8%	55¾-10½

[1]—To April 26, 1955

1954 achievements was direct amplification of light by which a special kind of phosphor in an electric field can emit ten times more light than it absorbs. A major chemical research development last year was "Alkanex wire enamel" which gives the toughest high-temperature film-insulated magnet wire yet developed. An important feature of this new product is that it permits increasing the horsepower of motors without increasing size. New techniques were also developed for mass-producing of transistors, making possible a GE general price reduction, bringing the transistors down to where they will sell in quantity lots from below two dollars each to approximatey four dollars each.

A Pioneer in Automation

Other fields in which GE has pioneered are in the development and application of giant computers or "electric brains," and in evolving new concepts of productivity or "automation" which it has adopted in many of its plants. In addition to benefiting from its advances in this field it is also developing new business in the creation of equipment for continuous automatic production for other manufacturers. Last year, GE introduced a completely redesigned and engineered "Weathertron", the all-electric method for home heating and cooling. In the last two years GE central home cooling sales have increased ten times. Within the next decade air conditioning, it is estimated, will become a billion-dollar-a-year business. GE, preparing for this anticipated growth, has already broken ground at Holland, Mich., for a new plant to manufacture hermetic motor parts for the refrigeration and air conditioning industries. Another phase of expansion involves plans for a \$15 million plant at Tyler, Texas, for the expanded production of home cooling units. When completed in the Fall of 1956, GE will have three facilities devoted exclusively to home cooling equipment, including oil and gas-fired boilers and furnaces, and central home air conditioning units.

The foregoing sets forth only a few of GE latest developments that make up the story of continuing progress at General Electric, the leading name in the electrical manufacturing industry, producing giant electric generator units and other apparatus for electric utilities and industry in general, gas turbines; diesel electric and gas turbine locomotives; ship propulsion gear; jet engines in defense, and thousands of other products, including electric lamps —bulbs and fluorescent tubes—sales of which are estimated to run into hundreds of millions of dollars annually.

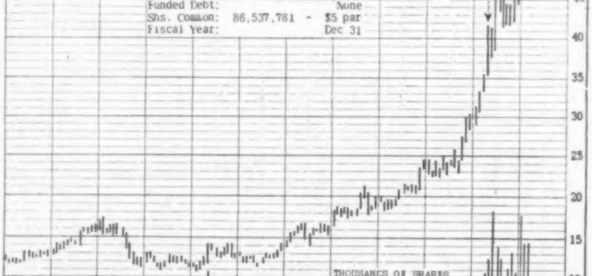
Atomic Energy Developments

In keeping with its policy of looking toward the future, General Electric is accelerating research and development activities in atomic energy. The company is no stranger in this field, it having pursued intensive studies of how to utilize atomic energy in the generation of electric power for several years, basing its work on the experience gained in atomic research that dates back to 1939. At the present time, it is engaged in a great number of atomic development projects. One of these is the production of a prototype nuclear reactor for the submarine Sea Wolf for the U. S. Navy. Other atomic activities include work on developing an aircraft nuclear power plant and the designing and constructing of a complete power plant in connection with a 180,000-kw. boiling water type reactor. This latter plant, to be financed entirely by private funds, may be in operation along about 1960 as part of the Commonwealth Edison Co. System. In Canada, GE's Canadian General Electric Co., Ltd., has been selected to build the first atomic electric power plant in that country. Contributing to GE's experience in atomic energy is the work the company is doing in managing, under contract with the AEC for a total sum of \$1.00, the Hanford Atomic Products operation in Richland, Wash., which has grown to a billion-dollar investment.

Decentralization of Management

What GE has accomplished in expanding plant facilities, intensifying research and developmental activities leading to new products and broader markets, conveys but a partial picture of the company. As GE continues to grow, the job of operating the company and its diversified business becomes greater and more difficult. To meet this situation, President Cordiner long ago introduced a plan to decentralize management—geographically, functionally and by products. Summed up in a few words, this plan set up an executive management consisting of the president and five senior officers; services management skilled in specialist functions and subfunctions; operating management—individuals responsible for the conduct of their respective decentralized product businesses. Under operating management, GE is broken down into 105 departments which head the far-flung manufacturing plants. Even the Board of Directors normally is made up of "outside" members, only two of the present 16 being from within the company. The 14 non-operating members are geographically located in virtually all the large industrial areas of the country and bring GE a wealth of information in such things as mining and agriculture, papermaking, chemical, retailing, food processing, transportation, finance and banking.

These and other policies of GE provide a partial answer to the great growth of the company in the last two decades and more particularly, the quickened pace of growth in the post-war years. Within the 8 years since the end of 1946, total assets have almost doubled, increasing from \$856.7 million to \$1 billion 691 million at the end of 1954. At this time, GE had cash and marketable securities totaling \$307 million which were part (*Please turn to page* 260)



	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
Earn.	.59	.65	.50	1.10	1.43	1.45	2.00	1.60	1.75	1.92	2.46	
Div.	.46$\frac{3}{8}$	.51$\frac{3}{8}$	.53$\frac{1}{8}$	.53$\frac{1}{8}$	.56$\frac{5}{8}$	.66$\frac{3}{8}$	1.26$\frac{3}{8}$	.95	1.00	1.33$\frac{1}{8}$	1.47	
Wkg Cap $ Mil	274.1	324.2	418.9	386.1	381.8	393.4	321.5	352.4	398.7	370.3	323.7	

THE EDITORS'

INVESTMENT CLINIC

Case No. 6

The Methodical Investor

There are almost as many "methods" for investing in securities as there are types of investors. Some want a quick and easy method for "beating the market". Some chart followers are to be found in this group though charts do have a sound and practical function which is much appreciated by more serious students of investments.

Other investors will never buy except after a serious and prolonged decline in the market. Some of these individuals have been known to wait as long as five years, and even longer, before they will commit any sizeable funds to the purchase of stocks. They have only one objective and that is to buy at the lowest possible price, no matter how long it may take to wait for such prices, and then accept the full gain on their holdings once they have decided the market has done all it can be reasonably expected to on the upside. Whether or not the market may advance further after selling their stocks has no interest for them, nor can they be tempted to buy a particular issue, no matter how attractive. Once they have sold out their holdings, they stay out of the market until the next long decline provides them with what they conceive to be a new opportunity. This class of investor may make only three or four bulk purchases and sales of stocks in an entire lifetime. Obviously, this method requires the utmost in patience and in will-power for which very few people are equipped to the necessary degree.

A Specialized Method

Some individuals prefer to concentrate on convertible preferred stocks and convertible bonds, on the theory this affords greater protection at the same time offering a means of participating in the rise of the common stock into which the preferred stock or bond is convertible. This is a more moderate type of speculation and may be suitable for individuals who are as much interested in obtaining a regular income from their holdings as in potentials for appreciation. This method, however, is a very specialized form of investment and is not suited to the average investor. In fact, if funds are exclusively invested in such issues, profit opportunities must necessarily be more limited than if the investments were made in the common stocks themselves. The decision as to which issue to buy, convertible preferred or bond, or common stock will naturally be determined by the investor in the light of his individual requirements and disposition.

There are other means of investing methodically but, perhaps, the simplest and most effective is what is known as "dollar-averaging". Essentially, this is a systematic plan of investing, the heart of which is to acquire securities in identical quantities at an average cost, spaced out over regular intervals, regardless of market conditions. In order for this plan to operate successfully, the investor must follow several specific courses of action and stick to them. It is important to recognize that deviation from this plan would destroy its usefulness and effectiveness.

The Essential Features

What the investor who wishes to adopt "dollar-averaging" as a method of investing must learn is the following: (*Please turn to page* 270)

"Dollar-Averaging" Over 15 Year Period Applied to Standard Oil of New Jersey

	Average Price of Stock	Annual Dividend Received & Available For Re-Investment	Total Annual Amount Invested	Number of Shares Purchased Each Year	Total Accumulated Number of Shares
1940	38	$ —	$2,000	52	52
1941	40	130	2,130	53	105
1942	38	210	2,210	58	163
1943*	53	326	2,326	43	206
1944	54	515	2,515	46	252
1945	63	610	2,610	41	293
1946	69	902	2,902	42	335
1947	71	1,340	3,340	47	382
1948	81	764	2,764	34	434[1]
1949	67	1,736	3,736	55	497[2]
1950	79	2,485	4,485	56	553
1951	66[3]	4,562	6,562	99	1,205[3]
1952	77	5,121	7,121	92	1,297
1953	72	5,836	7,836	108	1,405
1954	91	6,392	8,392	92	1,497

* Does not include spin-off of 1 share of Consolidated Natural Gas for each 10 S. O. N. J. held.
1 Includes two stock dividends, both of 5 shares for each 200 held.
2 Stock dividend of 4 shares for each 200 shares held.
3 New stock, after the 2 for 1 split.

FOR

PROFIT

AND

INCOME

Duration

There are two ways of figuring the duration of this bull market to date: (1) that it started from the June 1949, low, with 1953's moderate 8-month decline (13% for the Dow industrial average) classed as an intermediate phase; (2) that the latter was a minor bear market, and that the present bull market started from the September, 1953, low. On the first reckoning, the bull market was more than 69 months old at its most recent high, and the longest in history, with the total rise of the Dow industrial average about 166%; that of more accurate and comprehensive market indexes even more. If figured from September, 1953, its duration to this writing has been about 19½ months and the rise for the Dow industrials 77%. Serious vulnerability, as measured by price-earnings ratios and dividend yields, may not yet be present; but, anyway one figures it, buyers of common stocks are skating on thinner and thinner ice. The Dow average recently got above 430. The absolute bargain levels of our time (major bear-market lows) were 41.2 in 1932, 99.0 in 1938, 92.9 in 1942, 163.2 in 1947 and 161.6 in 1949. Keep in mind the difference between all these levels and the 430 level, if you have the speculative itch and before you ask your broker: "What looks good?"

Trade Up

The wisest policy from here on, and starting now, is to trade up—to move from lower-grade to higher-grade securities; to increase the proportion of total portfolio funds invested in fixed-income issues (bonds and/or good preferred stocks) and in defensive-type common stocks; to write down the cost of more speculative holdings by at least partial profit taking; and to build up reserves in cash or equivalent (such as savings deposits or short-term Treasury obligations) if they are not already adequate.

Preferred Stocks

Many good preferred stocks are available on a yield basis around 4% or not greatly less than current average yield on so-called representative industrial common stocks of the Dow-average type. In the case of investors who put emphasis on income return, they are preferable to high-grade bonds at yields of 3% or less. Price swings in preferred stocks have traditionally been materially wider than those of prime bonds, but far smaller than those in the general run of common stocks and considerably smaller than those even of defensive-type common stocks (stable-dividend income issues). However, for many months better-grade preferreds have actually shown more stability than the bond market. This reflects (1) demand for preferred stocks by pension-fund trusts and, to a lesser extent, by some other institutional funds; and (2) the fact that new bond flotations have long been relatively much heavier than preferred-stock financing, putting more pressure on seasoned bonds than on seasoned preferred stocks. Some examples of preferred stocks suitable for conservative portfolios are Atchison $2.50, Caterpillar Tractor

Increases Shown In Recent Earnings Reports

		1955	1954
Sharon Steel Corp.	Quar. Mar. 31	$2.03	$ .06
Budd Co.	Quar. Mar. 31	1.26	.33
Certain-teed Products Corp.	Quar. Mar. 31	.75	.45
National Gypsum Co.	Quar. Mar. 31	1.24	.94
Underwood Corp.	Quar. Mar. 31	.58	.20
Lion Oil Co.	Quar. Mar. 31	1.70	1.12
Dobeckmun Co.	Quar. Mar. 31	.72	.44
Westinghouse Air Brake	Quar. Mar. 31	.36	.22
Bohn Aluminum & Brass	Quar. Mar. 31	.90	.55
Monsanto Chemical	Quar. Mar. 31	1.63	1.09

$4.20, General Motors $3.75, May Department Stores $3.75, Pacific Gas & Electric $1.50, Pacific Lighting $4.50 and Union Pacific $2.

Defensive Stocks

In major bear markets of the past, "defensive" common stocks have belied the term to a painful degree. Issues of this type had a general decline on the order of 75% from 1929 high to 1932 low, around 25% from 1937 high to 1938 low, close to 50% from 1939 high to 1942 low, and around 20% from 1946 high to 1947 low. On the other hand, in the more moderate 1948-1949 decline their average fall was around only 4%, against 16% for the Dow industrial average, and in the 8-month 1953 decline it was less than 4%, against 13% for the industrial average. The indicated tendency toward smaller declines in income stocks than in the past reflects to a considerable extent the broadening role in recent years of institutional demand for top-grade income stocks, shared also by growth stocks. For that reason, we doubt that defensive stocks will be subject to more than relatively minor decline in the next significant market sell-off. Representative examples of such issues include American Gas & Electric, American Telephone, Borden, Beneficial Loan, Corn Products, Woolworth, General Foods, National Biscuit, American Chicle, Wrigley, Cleveland Electric, Ohio Edison, General Mills and Commonwealth Edison.

Growth Stocks

In the past, growth stocks have been subject to cyclical declines which in many cases were not much less than those of the industrial average. However, any repetition of that figures to be in considerably more moderate degree. Institutional funds which have been willing to reach for such issues for long-term holding, despite high price-earnings ratios and low yields, can be expected to buy them even more willingly on reasonable price concessions. Even so, at present prices most growth stocks are unattractive for individual investors; and increasing discrimination is in order. Potential vulnerability is least in gradual-growth stocks in relatively stable lines of business. Examples include a sizable number of electric utilities, and a small minority of industrial issues such as National Dairy Products, Scott Paper, Johnson & Johnson, Pfizer and Continental Can.

Utilities

Because of the proven ability and vision of the management, the power-demand projections of the American Gas & Electric Company command a high degree of respect. The management recently estimated that 1955 earnings would rise to around $2.80 a share, from 1954's $2.52. That would almost surely mean a further boost in the dividend, now at $1.80, for the seventh consecutive year. The company's long-range projection is that its present power load figures to increase about five-fold in about 20 years, allowing for dynamic population and industrial growth, and for increasing usage of electricity per customer, especially in the residential field. Yet the largely industrialized territory served by this system, stretching from Virginia and other upper-south states to the mid-west, is characterized by about average, rather than extraordinary, growth tendencies. Therefore, the 20-year project implies considerably larger potentials for utilities in strong-growth areas. The stocks of the latter are premium-priced on present earnings, but among the soundest long-pull investments for income and appreciation. Examples include Florida Power, Florida Power & Light, Southern Company, Texas Utilities and Central & South West. Any or all of these could be used for trading-up purposes in strengthening portfolios.

Surprise

In many cases the first-quarter earnings reports so far issued (discussed in detail elsewhere in this issue) have been surprisingly good. But there have also been some disagreeable surprises, the majority of them in capital-goods lines in which order backlogs had been reduced and in which more recent improvements in orders came too late to bolster the first-quarter showing. Some examples, with percentage shrinkage in profits from a year ago are Westinghouse Electric 50%, Pullman 69%, Cincinnati Milling Machine 78%, General Precision Equipment 39%, Pittsburgh Forgings 70%, Elliot Company 87% and American Steel Foundries 61%. In short, earnings are rising on average but are not on a one-way street. Neither is the stock market.

Stock Groups

The stock groups which have reflected above-average demand in recent trading sessions up to this writing are aluminum, automobiles, auto parts, cement issues, chemicals, dairy products, meat packing, paper, shipping, motion pictures and the tobaccos, the latter apparently reflecting the waning of the lung-cancer scare. It will be interesting to see whether additional medical attacks on cigarette smoking significantly unsettle these issues again, with another report by the American Cancer Society likely by early summer. Stock groups recently under considerable pressure include aircraft, air transport, distillers, copper, ethical drugs and crude oil producers.

Stocks

Strength in individual stocks is more noteworthy in sessions when the averages are under pressure than when they are rising. Some recent examples of strong issues, counter to easing market tendencies, are Baltimore & Ohio, Borg Warner, Florida Power & Light, General Finance,

(Please turn to page 271)

Decreases Shown In Recent Earnings Reports

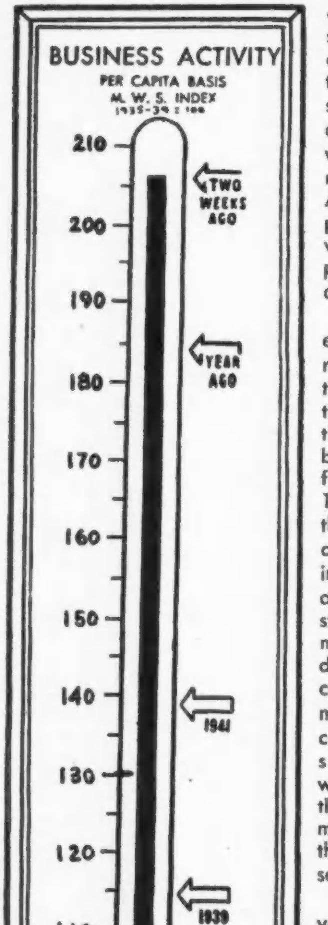
		1955	1954
Beech-Nut Packing	Quar. Mar. 31	$ .44	$ .83
Pittsburgh Forgings	Quar. Mar. 31	.23	.77
Douglas Aircraft	Quar. Feb. 28	1.93	2.41
American Steel Foundries	6 mos. Mar. 31	.80	2.08
Bangor & Aroostook R. R.	Quar. Mar. 31	1.03	3.51
Chance Vought Aircraft	Quar. Mar. 31	.65	1.20
Rheem Mfg. Co.	Quar. Mar. 31	.95	1.05
Fedders-Quigan Corp.	Quar. Feb. 28	.14	.50
New York Air Brake	Quar. Mar. 31	.54	.81
Pittsburgh Screw & Bolt	Quar. Mar. 31	.10	.15

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

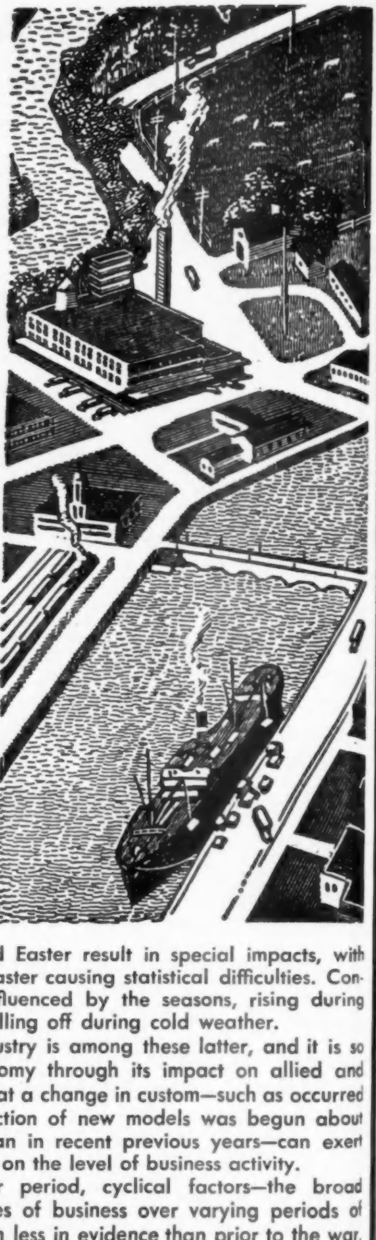
Seasonal and cyclical factors, often overlooked by many business men and investors, may assume increasing importance in the months ahead. Now that we are past the period in which business was at a low ebb a year ago, weekly and monthly comparisons of the various business series with a year earlier are almost certain to show less satisfactory rates of gain than those recorded thus far this year. Comparisons from here on will be against the period last year when sharp recovery from recession was under way. Accordingly, it is to be expected that the rate of gain will decline even though the pace of business activity continues strong.



Failure to appreciate and evaluate this prospect could result in misconceptions of the true status of business in the months ahead. The situation is complicated further by the fact that recovery from business slowdown in 1954 was accelerated by the planned forward shift of about two months in the introduction of 1955 model automobiles, with resultant stepped-up activity by car manufacturers and allied industries. It is not altogether certain as yet whether automobile manufacturers will continue their advanced schedules this year or whether they will revert to their later schedules, for much depends on how well the 1955 models continue to sell.

During the earlier postwar years, when pent-up demand still was far from satisfied, there was little evidence in many branches of industry of any strong seasonal tendencies such as existed prior to the war. However, with the filling of pipelines and the return of more normal consumer attitudes, seasonal trends have become more common. In most lines of business, seasonal patterns of activity are somewhat similar to those pertaining prior to the war.

Seasonal trends in business are primarily the result of normal or natural developments. There is nothing mystical about them. The normal changes in the weather with the four seasons of the year result in varying demands for different types of goods and servies. Important events such as Christmas and Easter result in special impacts, with the shifting date of Easter causing statistical difficulties. Construction activity is influenced by the seasons, rising during warm weather and falling off during cold weather.



The automobile industry is among these latter, and it is so important to our economy through its impact on allied and non-allied industries that a change in custom—such as occurred last year when production of new models was begun about two months earlier than in recent previous years—can exert considerable influence on the level of business activity.

During the postwar period, cyclical factors—the broad swings in different lines of business over varying periods of years—have been much less in evidence than prior to the war. It is contended by some economists that the "business cycle", represented by alternating extended periods of rising and falling general business activity, has been abolished as a result of various governmental measures designed to stabilize business. Nevertheless, there is little doubt that the "rolling adjustments" in various individual industries during the past few years represent, in some measure at least, the return of cyclical influences.

Fortunately, there has been little concurrence in the pattern of these rolling adjustments. While, for example, the textile industry was depressed for some time as a result of insufficient new business, demand for housing and automobiles quickened as an offset. So little is known about the causes of cyclical variations in individual industries that it is difficult to determine whether, with the return of more normal conditions, we can expect cyclical influences to assume increasing importance as has been true of seasonal influences. The probabilities are, however, that cyclical factors will exert more impact on our economy from now on than during the past ten years.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT — The terms of the Treasury's new financing, announced late last month, proved to be in line with general expectations and had little effect on bond prices. The Treasury, which needs $2.5 billion in cash to pay off tax and savings notes falling due this month and next, and faced with the necessity of refunding $3.9 billion of 1⅛% certificates maturing on May 17, offered a 15-month, 2% note to cover both objectives. The choice of this short-term instrument illustrates the Treasury's doubts about the market's ability to absorb a long-term Treasury issue at this time. The nation's fiscal arm therefore decided on a minimal interference with private financing, leaving the Federal Reserve as the main determinant of monetary policy.

Underwriters have been fairly busy in recent weeks, although volume has not matched expectations. Total bond flotations in April came to $937 million, down from $1,215 million the previous month and $1,041 million a year ago. A pick-up in the volume of new issues is expected in May, with corporate borrowing in the forefront. In this field, convertible issues have been a favorite financing medium in recently strong equity markets and such issues as General Dynamics' $40 million of convertible 3½s of 1975, and Bethlehem Steel's $191.6 million of convertible 3¼s of 1980 have gone to large premiums immediately upon issuance. New corporate issues without a conversion feature have also been well received although municipal loans have met with some resistance.

In the field of seasoned long-term securities, changes have been negligible in the two weeks ending May 2. The Treasury 3s of 1995 gained 1/16 during the period and the 3¼s of 1983-1978 lost a similar amount. Short-term Treasuries were down slightly in deference to the forthcoming 15-month note issue. Best-grade corporate obligations have remained at dead center during the period with the yield of a representative daily average of these bonds holding unchanged during the entire two weeks while tax-exempts presented a similar picture of inaction.

The nation's active money supply — consisting of currency outside the banks plus demand deposits — has been trending steadily upward, with last year's advance in the face of lower business reflecting the Federal Reserve's use of this instrument to counter recessionary trends, while this year's gain is the result of heavier private borrowing, a normal development during a business upturn. In the month of March, the active money supply, on a seasonally adjusted basis, rose by another $300 million, while the gain over a year ago amounted to $5.2 billion or 5%. Although the gain has been moderate, a continual rise in the money supply can eventually result in renewed inflationary pressures.

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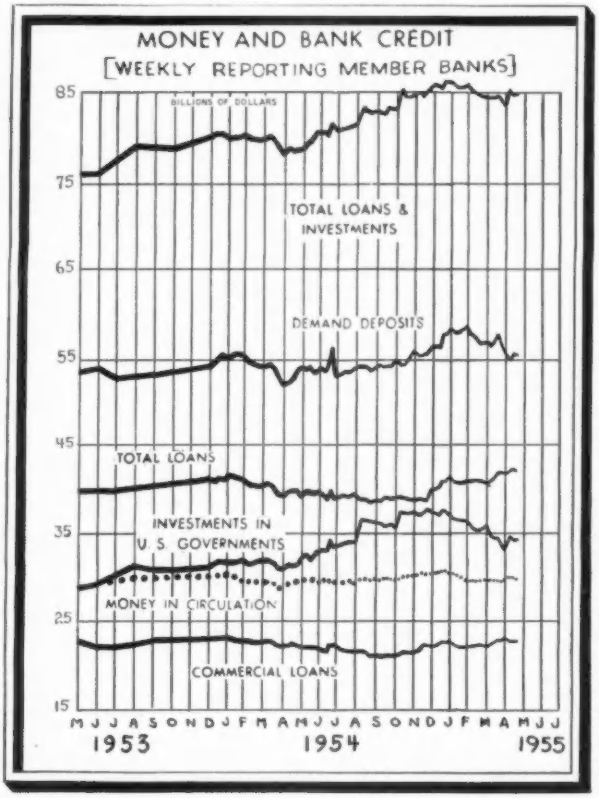
TRADE — Retail sales are continuing to top year-ago figures with dollar volume for the week ending Wednesday, April 27, about 5% ahead of a year ago, according to estimates by Dun & Bradstreet. Best showing was in the Southwest region with an 8% gain while the Northwest with an advance of only 3%, was a laggard. Spring apparel buying turned up strongly after its post-Easter slackness. Demand for household durables was generally higher although there was a slight dip in sales of television sets. Sales of new autos remained at the very high levels of recent weeks.



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INDUSTRY — The Business Survey Committee of the National Association of Purchasing Agents reports that industrial output rose further in April while manufacturers' new orders also were higher. Producers are definitely adding to inventories, the survey finds, reflecting the need for larger stocks to handle increased output schedules. Industrial buyers are no longer operating on a hand-to-mouth basis and this has resulted in a firming

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Mar.	3.5	3.0	3.8	1.6
Cumulative from mid-1940	Mar.	583.5	580.0	540.8	13.8
FEDERAL GROSS DEBT—$b	Apr. 26	277.0	277.0	270.1	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Apr. 20	56.6	55.8	53.7	26.1
Currency in Circulation	Apr. 27	29.7	29.7	29.6	10.7
BANK DEBITS—(rb)**					
New York City—$b	Feb.	63.4	60.8	62.4	16.1
344 Other Centers—$b	Feb.	102.4	97.8	94.8	29.0
PERSONAL INCOME—$b (cd2)	Feb.	292.4	291.4	285.0	102
Salaries and Wages	Feb.	200	199	195	99
Proprietors' Incomes	Feb.	50	50	50	23
Interest and Dividends	Feb.	25	25	25	10
Transfer Payments	Feb.	16	17	15	10
(INCOME FROM AGRICULTURE)	Feb.	16	16	17	3
POPULATION—m (e) (cb)	Mar.	164.4	164.2	161.5	133.8
Non-Institutional, Age 14 & Over	Mar.	117.1	116.9	115.9	101.8
Civilian Labor Force	Mar.	63.7	63.3	63.8	55.6
Armed Forces	Mar.	3.2	3.2	3.8	1.6
unemployed	Mar.	3.2	3.4	3.7	3.8
Employed	Mar.	60.5	59.9	60.1	51.8
In Agriculture	Mar.	5.7	5.1	5.9	8.0
Non-Farm	Mar.	54.8	54.9	54.2	43.2
Weekly Hours	Mar.	41.3	40.9	41.1	42.0
EMPLOYEES, Non-Farm—m (lb)	Mar.	48.2	47.8	47.8	37.5
Government	Mar.	6.9	6.9	6.7	4.8
Trade	Mar.	10.4	10.3	10.3	7.9
Factory	Mar.	12.8	12.7	12.8	11.7
Weekly Hours	Mar.	40.7	40.4	39.5	40.4
Hourly Wage (cents)	Mar.	1.85	1.84	1.79	77.3
Weekly Wage ($)	Mar.	75.30	74.34	70.71	21.33
PRICES—Wholesale (lb2)	Apr. 26	110.4	110.3	111.0	66.9
Retail (cd)	Jan.	207.3	207.6	209.5	116.2
COST OF LIVING (lb2)	Mar.	114.3	114.3	114.8	65.9
Food	Mar.	110.8	110.8	112.1	64.9
Clothing	Mar.	103.2	103.4	104.3	59.5
Rent	Mar.	130.0	129.7	128.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Feb.	14.8	14.9	14.0	4.7
Durable Goods	Feb.	5.2	5.1	4.7	1.1
Non-Durable Goods	Feb.	9.6	9.7	9.2	3.6
Dep't Store Sales (mrb)	Feb.	0.85	0.89	0.83	0.34
Consumer Credit, End Mo. (rb)	Feb.	29.5	29.8	28.1	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Feb.	25.7	24.8	22.0	14.6
Durable Goods	Feb.	12.8	12.1	9.6	7.1
Non-Durable Goods	Feb.	12.9	12.7	12.4	7.5
Shipments—$b (cd)—Totals**	Feb.	25.2	24.9	23.6	8.3
Durable Goods	Feb.	12.4	12.3	11.3	4.1
Non-Durable Goods	Feb.	12.8	12.6	12.3	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Feb.	77.7	77.4	80.4	28.6
Manufacturers'	Feb.	43.6	43.6	46.1	16.4
Wholesalers'	Feb.	11.7	11.5	11.9	4.1
Retailers'	Feb.	22.4	22.2	22.4	8.1
Dep't Store Stocks (mrb)	Feb.	2.4	2.4	2.4	1.1
BUSINESS ACTIVITY—1—pc	Apr. 23	206.4	205.8	184.3	141.8
(M. W. S.)—1—np	Apr. 23	260.9	260.3	229.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 249)

of some industrial commodity prices.

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COMMODITIES — The Bureau of Labor Statistics' index of spot prices for 22 leading commodities fell 0.2% in the four weeks ending May 2 to close at 89.3% of the 1947-1949 average. The metals have been the weakest component of the index during the period, with a 1.0% drop. Raw foodstuffs were down 0.8%, livestock 0.7% and textiles 0.4.% Raw industrial commodities gained 0.1% in the 28-day period and fats and oils advanced 0.9%.

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Manufacturers of **MACHINE TOOLS** received new orders worth $63.4 million in March, up from $61.9 million the previous month and $52.2 million a year ago, according to estimates by the National Machine Tool Builders Association. Shipments during the month rose sharply to $59.9 million, a 20% gain over February but still 36% under March, 1954. The rate of machine tool output was lower in March, amounting to $71.1 million as against production of $76.2 million in February. With shipments below new orders, backlogs were somewhat higher and it would have taken 4.4 months at current output rates to complete all orders on the books at the end of March. This compares with 4.2 months at the end of February and 4.6 months in March, 1954 at the output rates prevailing at that time.

* * *

117,000 **NEW HOMES** were started in March of this year, completing the most active first quarter in history, the Labor Department has reported. Private housing starts amounted to 116,100 units, equal, after seasonal adjustments, to 1,407,000 dwellings on an annual basis. This is the fifth month in a row that starts on an annual basis have exceeded 1.3 million, a rate that has not been equalled since 1950. Housing activity in March and in the first quarter of this year was about 25% ahead of the corresponding 1954 periods. Compared with the peak year of 1950, March housing starts were about equal to the same month in that year while activity in the first three

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month		Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Mar.	135	133	123	93
Mining	Mar.	123	123	112	87
Durable Goods Mfr.	Mar.	150	147	135	88
Non-Durable Goods Mfr.	Mar.	122	121	114	89
CARLOADINGS—t—Total	Apr. 23	706	675	626	933
Misc. Freight	Apr. 23	371	366	337	379
Mdse. L. C. I.	Apr. 23	61	61	62	66
Grain	Apr. 23	46	41	48	43
ELEC. POWER Output (Kw.H.) m	Apr. 23	9,697	9,602	8,257	3,266
SOFT COAL, Prod. (st) m	Apr. 23	8.6	8.5	6.8	10.8
Cumulative from Jan. 1	Apr. 23	135.0	126.4	117.9	44.6
Stocks, End Mo.	Feb.	63.8	65.9	75.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Apr. 22	6.8	6.8	6.6	4.1
Gasoline Stocks	Apr. 22	180	182	178	86
Fuel Oil Stocks	Apr. 22	45	45	44	94
Heating Oil Stocks	Apr. 22	66	63	59	55
LUMBER, Prod.—(bd. ft.) m	Apr. 23	257	252	255	632
Stocks, End Mo. (bd. ft.) b	Mar.	9.1	9.1	9.2	7.9
STEEL INGOT PROD. (st) m	Mar.	10.0	8.5	7.3	7.0
Cumulative from Jan. 1	Mar.	27.3	17.3	22.3	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Apr. 28	459	383	241	94
Cumulative from Jan. 1	Apr. 28	5,816	5,356	3,906	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Apr. 23	235	237	199	165
Cigarettes, Domestic Sales—b	Feb.	28	32	27	17
Do., Cigars—m	Feb.	438	446	444	543
Do., Manufactured Tobacco (lbs.)m.	Feb.	15	16	16	28

PRESENT POSITION AND OUTLOOK

months was 6% higher this year.

* * *

The number of **BUSINESS FAILURES** was higher in March as 1,038 firms closed their doors, according to data compiled by Dun & Bradstreet. This was 12% above the previous month's failures but still below a year ago when casualties amounted to 1,102 firms. In welcome contrast to the increase in the number of failures this March was the 2% drop in liabilities of failing firms to $41.2 million. In the first quarter of this year, liabilities of failing firms amounted to $121.1 million, down from $134.6 million in the corresponding 1954 quarter when business was on the down grade.

* * *

Manufacturers produced 115.3 million pounds of **RAYON** in March, a substantial increase from the previous month's 94.1 million pounds. **Shipments** in March also were higher at 124.7 million pounds versus 102.0 million pounds in February. With shipments topping output, manufacturers' rayon inventories fell to 66.8 million pounds from 76.2 million pounds in February.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

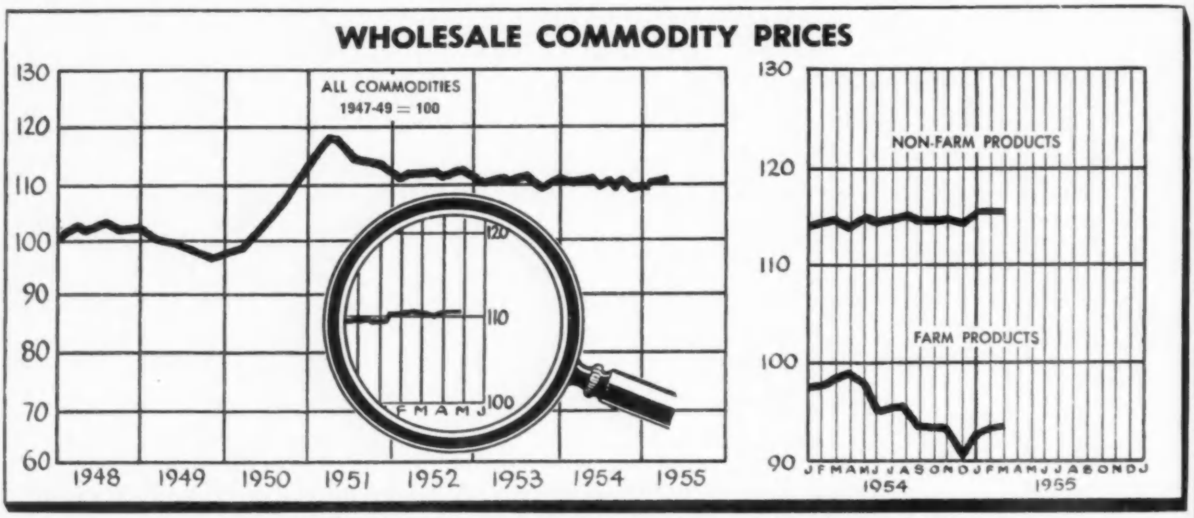
No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 Apr. 22	1955 Apr. 29
300 Combined Average	309.3	282.0	307.7	307.6
4 Agricultural Implements	313.5	264.9	305.4	305.4
3 Air Cond. ('53 Cl.—100)	116.0	106.7	110.2	106.7L
10 Aircraft ('27 Cl.—100)	1084.9	899.5	982.9	945.8
7 Airlines ('27 Cl.—100)	1190.5	971.2	1190.5	1159.2
4 Aluminum ('53 Cl.—100)	256.1	191.1	254.1	256.1H
7 Amusements	163.0	147.0	158.2	163.0H
9 Automobile Accessories	346.4	308.3	343.2	346.4
6 Automobiles	48.9	44.3	48.0	48.0
4 Baking ('26 Cl.—100)	29.8	27.8	29.8	29.5
3 Business Machines	857.5	657.4	837.5	837.5
6 Chemicals	501.0	466.6	496.1	501.0H
3 Coal Mining	19.4	14.8	17.6	18.3
4 Communications	116.6	103.9	113.4	113.4
9 Construction	119.6	106.4	116.3	116.3
7 Containers	718.6	675.1	689.6	689.6
7 Copper Mining	280.1	222.2	263.9	259.3
2 Dairy Products	124.7	117.6	122.3	124.7H
6 Department Stores	86.5	80.0	84.0	85.6
5 Drugs-Eth. ('53 Cl.—100)	151.2	129.6	147.2	141.8
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	170.0	174.7
2 Finance Companies	626.5	589.6	595.8	589.6
6 Food Brands	300.6	266.6	300.6	298.0
3 Food Stores	149.2	137.7	142.0	143.5

(Nov. 14, 1936 Cl.—100)	High	Low	1955 Apr. 22	1955 Apr. 29
100 HIGH PRICED STOCKS	199.0	180.6	198.1	199.0H
100 LOW PRICED STOCKS	383.1	343.5	379.1	378.4
4 Gold Mining	806.0	684.8	699.0	684.8L
4 Investment Trusts	157.1	143.8	154.1	151.2
3 Liquor ('27 Cl.—100)	1036.9	961.3	961.3	961.3
9 Machinery	395.8	317.7	376.1	369.6
3 Mail Order	178.9	159.3	174.0	172.4
4 Meat Packing	134.4	112.8	130.8	134.4H
5 Metal Fabr. ('53 Cl.—100)	178.8	155.9	177.1	172.2
10 Metals, Miscellaneous	401.6	358.2	383.5	387.1
4 Paper	904.4	767.1	880.2	904.4H
22 Petroleum	632.1	590.0	614.0	614.0
22 Public Utilities	249.1	234.8	244.3	246.7
7 Railroad Equipment	88.4	73.4	83.9	83.1
20 Railroads	75.2	64.7	75.2	75.2
3 Soft Drinks	528.9	459.9	510.5	515.1
11 Steel & Iron	253.1	219.2	253.1	250.9
4 Sugar	68.8	56.1	65.3	65.3
2 Sulphur	888.6	813.2	838.3	838.3
10 Television ('27 Cl.—100)	45.6	40.7	44.4	45.6
5 Textiles	161.9	148.4	158.9	158.9
3 Tires & Rubber	158.1	137.8	158.1	153.7
5 Tobacco	89.6	81.9	85.3	89.6H
2 Variety Stores	315.0	299.4	305.7	302.5
15 Unclassif'd ('49 Cl.—100)	155.2	146.3	153.7	153.7

H—New High for 1955. L—New Low for 1955.

Trend of Commodities

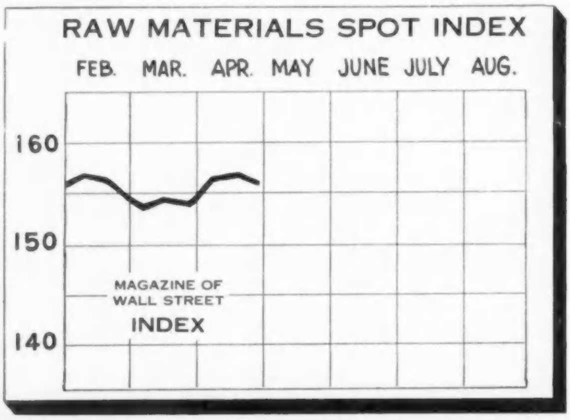
Commodity futures were generally lower in the two weeks ending May 2 although some commodities, like wheat and cotton were able to buck the downtrend. The Dow-Jones Commodity Futures Index lost 4.81 points during the period, with the decline in this average being enhanced by sharp breaks in cocoa and coffee. July wheat was unchanged during the period ending May 2 at 194½. High winds and dust storms in the wheat areas that have been without adequate moisture, hurt the winter wheat stand but this was offset by further easing of international tensions. The outlook for the 1956 wheat support program is still unclear and the Department of Agriculture is weighing the feasibility of reduced support prices coupled with higher acreage allotments. July corn lost 2½ cents in the two weeks ending May 2 to close at 145⅞. Domestic stocks of corn in all positions on April 1, amounted to 2,114 million bushels, against 1,993 million bushels a year ago. Consumption has lagged, attributable in part to lower prices for hogs and the consequent reduction in profits from hog feeding. The corn-hog ratio was down to 11.3 on April 23 versus 17.7 a year ago. July cotton gained 39 points in the fortnight under review, closing at 33.89 cents. Exports of cotton are continuing to lose ground when compared to a year ago, falling to 52 thousand bales in the latest week versus 80,000 bales a year ago. To see the lag in exports in recent months, note that exports for the season from July 1 through April 26 are now only 9% ahead of the corresponding period of a year earlier as against the 30% year-to-year advance that exports had attained from July 1, 1954 through January 30 of this year. In the domestic cotton cloth market, business has been slow although order backlogs are still at a comparatively high level.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices — 1947-1949, equals 100

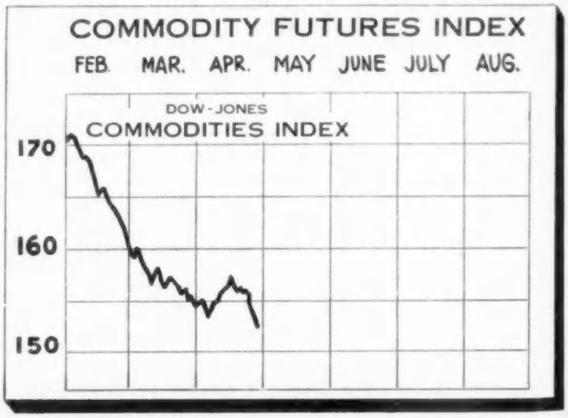
	Date May 2	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.3	90.3	92.0	92.5	53.0
9 Foodstuffs	85.3	87.0	90.8	102.0	46.1
3 Raw Industrial	92.1	92.5	92.6	86.3	58.3
5 Metals	105.9	106.5	101.7	93.1	54.6
4 Textiles	85.0	85.0	86.4	86.7	56.3
4 Fats & Oils	66.1	67.1	69.0	74.9	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	156.9	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	93.8
Low	152.5	153.8	168.3	174.8	83.6	58.7	57.5	64.7

WHAT'S NEW?

—A Record of Important Company Developments

American Viscose Corporation: in the first quarter of 1955 more than trebled its earnings, reporting net income of $5.9 million and $1.39 a share compared with $1.6 million or 34 cents per share a year earlier. This showing was ample evidence of the company's progress in emerging from the sharp recession that had plagued the industry in recent years. Viscose, one of the foremost leaders in the textile field, and long regarded as a growth organization, has throughout the dip in activity, continued its policy of expansion. In addition to its acquisition of an interest in Ketchikan Pulp, plant improvements and extensions, the company will soon add 100 million pounds of capacity for rayon staple to meet growing demand. One of the important factors in the long-term outlook is Viscose's 50% interest in Chemstrand, a producer of Orlon and Acrilan, which, after production schedules have been stepped up, is expected to contribute substantially to earnings in the years ahead. Based on results so far, it now seems likely that 1955 earnings will approximate $4.00 per share. Should fulfillment of projected earning power of Chemstrand and other affiliates be realized, it is probable that by 1957 profits could range between $5.00 and $8.00 per share.

Atlas Powder Co.: Widening activity and favorable earnings trend for the next few years is anticipated for this moderate sized, but firmly established chemical company. It is entrenched in the explosives field, and for years has been diversifying into chemical and related products. Recently however, its management has been aggressively interested in the increasing importance of new industrial chemicals. Sales in the past ten years have grown steadily from $32.1 million in 1946 to $57.6 million last year for a gain of 80%, while earnings moved ahead over 135% from $1.1 million to $2.6 million during this period. Operations this year and beyond are expected to benefit substantially from new plants coming into production and profit margins should continue to improve, so that this year's net should touch $4.20 or better, compared with the $4.06 earned last year and $4.03 in 1953. On slightly increased sales, first 1955 quarter returns showed $1.13 a share against $1.08 in the 1954 period. Anticipating continued sound, but not spectacular growth, and providing a higher yield than most chemical equities, the stock appears interesting for possible long-term appreciation.

Lone Star Cement Corp., the second largest producer of cement in
(*Please turn to page* 272)

Important Dividend Changes

April 20th to May 3rd

INCREASED DIVIDENDS	New Rate	Period
General Telephone Corp.	$ .48	......
Panhandle Eastern Pipe Line	.75	Qu.
Amer. Smelt. & Refining	.60	......
Zenith Radio	.75	......
Carpenter Steel	.75	......
Aluminium, Ltd.	.55	......
Hooker Electrochemical	.25	......
Federated Dept. Stores	.75	Qu.
Kaiser Alum. & Chem.	.56¼	......
INITIAL DIVIDENDS	**Rate**	**Period**
Douglas Aircraft (new)	$ .50	Qu.
Alpha Portland Cement (new)	.25	......
Armco Steel (new)	.45	......
Armstrong Cork (new)	.30	Qu.
Pure Oil (new)	.40	......
Minneapolis Honeywell Reg. (new)	.35	......
General Dynamics (new)	.55	......
Western Auto. Supply (new)	.40	Qu.

STOCK DIVIDENDS (Including Stock-Splits)	Rate
Kaiser Alum. & Chem.	200%
Grand Union Co.	2 for 1
Alpha Portland Cement	200
General Telephone	50
EXTRA DIVIDENDS	
Procter & Gamble	$ .50
Douglas Aircraft	.50
Boeing Airplane	.25
IRREGULAR DIVIDENDS	
Bethlehem Steel	$1.50
Patino Mines & Ent.	1.20
OMITTED DIVIDENDS	
Byers A. M.	
Fedders Quigan Corp.	

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Owens-Illinois Glass Co.

"As a subscriber to your magazine I would appreciate receiving data on Owens-Illinois Glass Company. I am interested only in good quality issues that are attractive to hold for the long term."

P. G., Rochester, N. Y.

Owens-Illinois Glass is a good quality issue attractive to hold for the long term.

Its one-third interest in Owens-Corning Fibre Glass Corporation enhances long term growth prospects.

Owens-Illinois Glass Co. had earnings amounting to $23,782,151 or $7.78 per share in the 12 months ended March 31, 1955. This compares with earnings of $15,156,696 or $4.96 per share, for the 12 months ended March 31, 1954.

Sales for the recent 12 month period were $341,402,352 compared with $330,207,577 in the preceding year.

The provision for Federal and other income taxes amounted to $23,080,046 or $7.55 per share compared with $16,664,527 or $5.45 per share on the 3,056,874 common shares outstanding.

The increased sales reflected gains made by certain glass container lines, table glassware and plywood with substantial gains coming from the sale of all-glass television bulbs manufactured by Kimble Glass Company, a subsidiary, and metal and plastic products of O-I's Closure & Plastics Division.

For nearly two years now the demand for glass containers has continued at a high level and present indications are that it will remain at a high level throughout 1955.

The Board of Directors approved appropriations for construction of new warehouses at the company's plants in Clarion, Pennsylvania, Gas City, Indiana, and Glassboro, New Jersey.

Dividends in 1954 totalled $4.00 per share and $1.00 quarterly has been paid thus far in the current year.

Otis Elevator Company

"Please advise on first quarter sales and earnings of Otis Elevator Co. and also what was the outcome of the company's plan to move its Yonkers, N. Y. and Harrison, N. J. plants to the midwest in order to reduce costs?"

T. C., Lansing, Michigan

Otis Elevator Comany's sales of new elevators and service in the first quarter of 1955 were 20% above those for the first three months of 1954, while billings against contracts rose 15%.

Net earnings after taxes for the first quarter of this year were $2,244,590, equal to $1.09 a share on 2,063,108 shares of common stock outstanding, compared with $1,940,824 or 97 cents a share for the same quarter in 1954.

According to new estimates based on reports from 268 Otis field offices in the United States, the company's sales in 1955 are expected to be about 10% higher than last year's. And a further increase in operations is anticipated for 1956. Otis maintenance sales have risen about 10% a year since 1945.

The backlog of about $71 million in contracts unbilled at the end of the first quarter of this year, was reported, an increase from the figure of $70,081,807 at the beginning of the year.

For the year ended December 31, 1954 net income was $9,622,844, equal to $4.72 a share based on 2,038,108 shares outstanding, compared with 1953 net income of $8,652,974, equal to $4.38 per share based on 1,975,000 shares outstanding.

Early this year the company faced the alternative of reducing costs or moving its manufacturing facilities from Yonkers, N. Y. and Harrison, N. J. to another location. It was a friendly offer on the part of the company to help the employees, several hundred of whom have been with the company 25 years or more, to save their jobs by correcting some of the conditions which otherwise would make it uneconomical for the company to continue operations in its present plants. The 3-to-1 vote in the unionized Yonkers plant in favor of accepting the company's plan, which involved no reduction in wage rates or supplementary benefits—is evidence of their understanding of the validity of the company's statement and sincerity of its motives. Thus, the company is continuing at its present plants.

Foreign sales and service bookings of elevators and escalators totalled $65,426,766 last year, and Otis' foreign operations promise to increase in size and importance in the future.

Dividends in 1954 which included extras totalled $3.12½ per share and $1.75 which includes an extra has been paid thus far in the current year. —END

Are We Merely Sustaining —or— Building Consumer Buying Power?

(*Continued from page* 219)

A substantial part of the services total consists of housing outlays, and here too both the level of debt and the level of physical stocks owned by consumers has reached at least a normal stage of development. In textiles, however, and to a lesser extent in food, real consumption by individuals is still relatively low. This is particularly true of men's apparel, where annual expenditures are now far below the levels suggested by prewar experience.

General business can thus count on a flexible, balanced expansion of consumer spending over the next half-decade that will continue to raise the individual standard of living. At the same time, population growth will impart, by itself, an upward tilt of about 2% per year to the total market, and this tilt will be amplified, within the next 10 years, by a sharp expansion in the rate of marriage and family formation. (This spurt will reflect the fact that the huge number of babies born in the early postwar years will then be reaching marriageable age.) The consumer market suggested by all these trends is certainly one which will necessitate continuing and relatively rapid expansion of national industrial capacity, if consumers are to be served in the style to which they are progressively becoming accustomed. One cannot conclude this survey into the trend of consumer expenditures without referring to the vital part which the consumer is playing in the creation, development and promotion of an endless series of new products. Demands of consumers for these products are insatiable. Hence, manufacturers are compelled to anticipate these ever-growing needs. This, in turn, obliges them to expand research activities, to improve old plants and lay down new ones, and to introduce new equipment with which the new products are to be manufactured and brought to market. Thus manufacturer, distributor and consumer form part of an endless chain, each supporting the other in an ever more rapid movement. —END

Foreign Competition Menaces Industry and Labor

(*Continued from page* 223)

pursue a reciprocal policy in adjusting tariff rates and trade restrictions. They are presumed to make adjustments to favor the United States in return for favors granted them. In actual practice, according to the testimony before Congressional Committees and statements in House and Senate, the United States is the only country which lives up to promises made.

This result arises in two ways. In some cases certain commodities we might desire to import at some reciprocally adjusted rate will not be in supply when we want it. Sometimes it will go to some other country only to be shipped here ultimately after two or three or more brokers and shippers have handled it and taken each his profit. Probably of greater importance in defeating any advantage to the United States, is the practice of currency juggling. On this point Senator Malone of Nevada told the Senate: "No country has yet lived up to its agreement simply because ten seconds after the ink has dried on such an agreement, the foreign country can establish, and almost always does, a new price for its currency for the particular product or else it establishes exchange or import permits which entirely nullify the arrangement. The foreign country makes no attempt to live up to its agreement. It does not even pretend to do so."

It would be well to place in juxtaposition to Senator Malone's statement one made by Alger Hiss as a witness before the Senate Committee on Finance when this same issue was up for renewal before. Mr. Hiss was chairman of the executive committee of the Citizens Committee for Reciprocal World Trade but previously he had been a high official of the Department of State and it was in that capacity that, as he said: "it was largely because of our initiative in pursuing this policy (the favoring of foreign nations) that we have been able to move from the Atlantic Charter to the United Nations, from bilateral trade agreements to the General Agreement on Tariffs and Trade."

That is, Mr. Hiss emphasized that it is only by pursuance of a policy of letting down the bars to foreign nations that the United States has been able to create the United Nations which, in turn,

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Leading Import Commodities

(In millions of dollars)

Commodity[1]	1952	1953	1954
Agricultural:			
Coffee	1,376	1,469	1,486
Cane sugar	416	425	409
Cocoa or cacao beans	178	167	252
Meat products	159	172	180
Grains and preparations	166	169	93
Other foodstuffs	673	695	685
Crude rubber	618	332	262
Wool, unmanufactured	382	296	222
Other agricultural	551	460	381
Nonagricultural:			
Nonferrous metals and ferroalloys	1,563	1,662	1,390
Aluminum and bauxite	86	183	143
Copper, crude and semimanufactured	411	433	361
Tin	298	271	184
Nickel	113	136	155
Lead	208	116	122
Zinc	151	101	89
Paper and paper materials	928	937	926
Petroleum and products	692	762	828
Textile manufactures	513	464	440
Machinery and vehicles	354	353	359
Sawmill products	222	236	252
Chemical and related products	244	293	249
Fish, including shellfish	181	194	209
Iron and steel-mill products	213	255	121
Other nonagricultural	1,319	1,438	1,487
Class			
Agricultural	4,519	4,185	3,970
Nonagricultural	6,229	6,594	6,261
Total	10,747	10,779	10,231

[1] Data are imports for consumption.

The big canning season is under way

From coast to coast, America's canneries are packing foods in tin cans at the precise moment of freshness and perfect taste

HERE IS THE SPRING COAST-TO-COAST CANNING PICTURE

(Areas in black indicate where canneries are operating)

ALABAMA	Snap beans, okra
ARKANSAS	Spinach
CALIFORNIA	Cherries, artichokes, asparagus, beets, peas, spinach, lemons, mackerel, tuna
DELAWARE	Asparagus
FLORIDA	Oranges, snap beans, grapefruit, tomatoes, shrimp
GEORGIA	Asparagus, snap beans, okra, shrimp
ILLINOIS	Asparagus
INDIANA	Asparagus
IOWA	Asparagus
KENTUCKY	Spinach
LOUISIANA	Figs, snap beans, okra, shrimp
MAINE	Clams, cod, sardines
MARYLAND	Asparagus, kraut, spinach, herring, oysters
MASSACHUSETTS	Cod
MICHIGAN	Kraut, asparagus, spinach
MISSISSIPPI	Figs, snap beans, okra, shrimp
MISSOURI	Spinach
MONTANA	Kraut
NEW JERSEY	Rhubarb, spinach
NEW YORK	Kraut, asparagus
OHIO	Asparagus, kraut
OKLAHOMA	Spinach
OREGON	Asparagus, kraut, rhubarb, clams, salmon
SOUTH CAROLINA	Asparagus
TEXAS	Figs, grapefruit, carrots, shrimp
UTAH	Kraut
VIRGINIA	Asparagus, spinach, herring
WASHINGTON	Asparagus, kraut, rhubarb, clams, oysters, salmon
WISCONSIN	Asparagus, kraut, rhubarb

Meat, milk and pickles are canned year round.

The big season is starting now. At this very moment, a wide variety of food is being rushed to canneries in 29 states. And more and more canneries will be in action very soon.

In fact, as the new harvest season continues, approximately 4,500 canneries in just about every corner of the United States and all its territories will be packing more than 400 different kinds of food.

And wherever this food is packed, much of it is going into cans made of Weirite tin plate, a product of National Steel.

Why it's important to you

It is estimated that about 50 per cent of our food supply is preserved in tin cans. And there are many reasons.

Actually, the so-called tin can is 99 per cent steel, coated with tin to make it highly resistant to corrosion.

Because its strength is steel—one of the toughest metals there is—the tin can is sturdy. It is compact, adding only the tiniest fraction of an inch to the dimensions of its contents.

The tin can is sanitary, too. It is hermetically sealed, and used only once. And it is economical—it saves greatly in automatic canning, shipping weight and storage space.

National's role

National Steel is a leading supplier of both hot-dipped and electrolytic tin plate. Its Weirton Steel Company is one of the largest producers of the kind of tin plate needed for the more than 35 billion cans made every year.

National Steel's research and technical men work closely with their customers from coast to coast, to make not only the finest tin plate, but also many other kinds of steel for the products of American industry.

It is our constant goal to produce still better and better steel—America's great bargain metal—of the quality and in the quantity wanted, when it is wanted, at the lowest possible cost to our customers.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Hanna Iron Ore Company • Stran-Steel Division • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

Foreign Competition Menaces Industry and Labor

(*Continued from page* 256)

has made a tool out of the United States.

It should be stressed, perhaps, at this point, that, in nine secret tariff treaty agreements, under the auspices of Gatt, tariff cuts have been put into effect on more than 55,000 items of foreign manufacture now admitted to the American market!

In the same company is to be found Harry Dexter White who, as Assistant Secretary of the Treasury, recommended that the United States should not seek to export or even to use at home many important materials including petroleum, manganese, tungsten and others but should not only make arrangements under GATT to import them but should lend immense sums to foreign countries to enable them to produce and ship these materials. It is true that, in some cases, it might have been advisable to import rare critical materials, not produced here for our stockpile. But the recommendation was more general than that. Among the specific recommendations of Mr. White was one that $10 *billion* be advanced to Soviet Russia!

A Provision that is Likely to Prove Meaningless

The Senate Committee on Finance has brought in a report recommending renewal of the Trade Agreements Act for another three years. Responsive to heavy pressures from American industry the Committee has indeed agreed to a provision that the President shall reduce imports from foreign nations in certain categories if it appears to him that such imports threaten our national security.This is in lieu of various amendments proposed specifically granting protection against specific commodities.

The difficulty of this provision appears to be that there may be the widest possible disagreement on what imports should be reduced and what constitutes a threat to national security. It is a foregone conclusion that the incumbent President, General Eisenhower, and his advisers, will look upon this matter through military rather than commercial and industrial eyes. They will regard the whole question in the light of products vital to the military rather than in the light of the invasion of American markets. The almost inevitable result is that the provision will prove meaningless so far as protection of American industries is conconcerned.

In the last two years the number of areas classified as distressed by the Department of Labor because of mounting unemployment has increased from 37 to 144. It is not here asserted that the Nation is immediately threatened with a severe depression because of widespread unemployment because the country is so vast and so diversified that the weakness of many areas can be absorbed in the general strength. Yet continued operation of the GATT arrangement conceivably could so far extend distress that the most serious consequences might be entailed.

An examination of these distressed areas, of the industries involved reveals that in many if not most cases the difficulty can be traced to lack of tariff protection, to a steady and augmenting stream of foreign goods, produced at wages which in this country would be condemned as of a criminally sweatshop character. It is not merely a traveller's tale but is literally true that goods made for wages of 15 to 19 cents an hour are brought in without tariff protection to compete in our home market with goods made at a wage cost of $1.50 and well above. And at the moment the most furious efforts are being made to increase the minimum wage to $1.25 while still admitting the 15 cents an hour goods!

A Bewildering Puzzle

Sometimes the student must become wholly bewildered at the puzzle presented by the combination of politicial and economic elements boiling together in the national crucible. The only possible way in which American industry has been able to maintain a semblance of competition in the face of the political policies of several Administrations favorable to almost unlimited admission of foreign goods has been through advances in technology. Only thus has the American wage scale, the protection of American investors and the American standard of living been maintained.

Yet today, organized labor, or a part of it, is up in arms against the advantages of automation, crying that science is displacing workers. True, another segment of labor is willing for automation to proceed if labor be given all or more than all the profits therefrom through payment of a guaranteed annual wage! It does not require much study to show that much of this difficulty would have been obviated had a reasonable protective tariff been retained! It would not have been necessary to move the robot in had the customs collector remained at the ports of entry.

The natural evolution of a sound tariff policy is for each nation to work out its own salvation and when, whether as a result of competitive or non-competitive goods, something approaching comparable standards of living are achieved, free trade follows almost automatically.

After the First World War there was, for a while, much agitation about the debts of the Allies. Ten billions or so was owed, a far greater sum in those days than now and, at first, some refunding agreements were reached, some repayments made. But it soon was realized that one of the worst things that could happen to the country would be to accept repayment of the debts in goods which would put our own labor out of employment. Yet now and for some years past, the Administrations have been willing to follow the very course which then was recognized as suicidal. It appears to be the tenet now that it is better for the American standard of living to be lowered so long as that of parts of the world most Americans have never heard of is raised!

Beneath all the discussions lies the issue of whether the President should have the authority to fix tariffs. The Constitution charges the Congress with that responsibility and there is the gravest question as to whether the function can be delegated. There is pending now in the Federal Court for the District of Columbia a case which challenges the Constitutionality of the Trade Agreements Act and the GATT organization. It is conceivable that the whole thing will fall to the ground as did the National Recovery Administration when the Supreme Court ruled its codes invalid. But, in the meantime, Congress is on the eve of extending the entire free trade system for another three years! —END

Hopeful Outlook For Economic Progress in Spain

(*Continued from page* 229)

of the Civil War: from market disorganization, heavy losses of livestock and equipment, and a long period of fertilizer shortage. Even in good postwar years the area under cultivation and the volume of farm production barely equaled the pre-Civil war levels.

There are, in addition, many fundamental problems besetting the Spanish farmer. Much of the soil is poor and exhausted. Farming methods are outdated, productive lands overcropped, and a large part of the agricultural force under-employed. Two years ago it was reported that Spain had only about 20,000 tractors, and most of these were antiquated. In general, production costs are high and Spain experiences difficulty in marketing her agricultural exports.

The number one problem of the Spanish economy is to raise the productivity of the farmer, not only so as to provide food for the rapidly increasing population, but to build up the purchasing power of the farmer so that he can buy products of Spanish industry. Larger agricultural production, particularly of wheat, is also bound to save foreign exchange.

The Franco regime has not been blind to the needs of Spanish agriculture. Shortages of equipment and fertilizers are being slowly overcome by imports and domestic production. The Government is active in extending irrigation works and in land conservation through reforestation. Some 250,000 acres are at present being planted with trees annually. Farmers are also being resettled on more suitable land and the farm credit system is being continually developed and extended. In general, however, land reform has progressed slowly and the number of landless workers still exceeds 5,000,000 in a population approaching 29,000,000.

Trade with the United States

It goes without saying that the military-economic cooperation between Spain and the United States is bound to be reflected in closer trade ties. The United States usually exports more than she imports from Spain. As will be seen from the accompanying table, our 1954 exports to Spain come to almost $100 million with machinery and equipment, cotton, and grain products accounting for the bulk. Our principal imports from Spain consists of olives and olive oil, wolfram ore (tungsten), mercury, zinc, and cork. Most of these are rather specialized products, and in the case of olives and olive oil, Spain must compete not only with producers in California, but also with Italy and other Mediterranean countries whose production costs usually run somewhat lower.

Spain's natural customers for citrus fruit, early vegetables, and some nonferrous metals are the Western Europeans. The rising standard of living on the Continent is a good omen for Spanish exports which rank as semi-luxuries and are usually sensitive to market conditions. Although Great Britain continues to be the leading market for Spanish products, Germany has pushed up to second place, displacing the United States and France. Germany is also showing interest in Spain's industrial development and Spaniards are repeating a story told about a Spanish firm which sent out an inquiry on certain equipment to France, the United States, and Germany. According to the story, there was no reply at all from France. The American firm sent a catalog. But from Germany came a wire: "The machine has been landed in Spain. Where should we install it?"

—END

General Electric—Its Long-Range Strategy

(*Continued from page* 244)

of $880.3 million in current assets. That sum exceeded current liabilities of $556.5 million, leaving $323.7 million as working capital. As of December 31, 1954, GE's

cess of assets over liabilities mounted to $1 billion 23 million hich, inasmuch as the company d no funded debt nor preferred ock, represented total share wners' investment.

Within the last quarter of a ntury, GE has split its stock at tervals of approximately 14 ars. In 1926, the split-up was n a four-for-one basis. Again in 929, another four-for-one split as made, and the most recent tion along these lines took place n June, 1954, when a split was ade on a three-for-one basis.

At the present time dividends n the new shares are being maintained at a quarterly rate of 40 nts, thus continuing an unbroken record of dividend distributions in varying amounts in ach of the last 56 years. At the urrent rate of dividend payment he stock, selling in the market at 1¾, returns a yield of 3.0%. ince the most recent stock split n June of last year, the issue oved up from around 37⅞ to n August, 1954 high of 56⅝ rom which level it reacted to 1¾ in October of that year, recovering to a 1955 to date high of 5¾. Investors capable of gauging General Electric's long range rowth potentials would be well dvised to allow their investments n this issue to remain undisturbed. Those contemplating initial commitments in the stock, owever, might await the possibility of a further reaction from resent price level, or adopt a "dollar averaging" method to which GE appears ideally suited.

—END

Why Over-Conservatism in Managment Attracts Financial Raiding

(*Continued from Page* 221)

individuals concerned were less interested in the future of the big retailer than in promo'ing a financial empire of their own. Some validity to this contention was seen in the fact that the chief protagonist, a comparatively young man, had been busying himself mainly in the building up of a "$200 million empire" starting with just a Florida junkshop.

Tactics of the Avery faction in the recent proxy fight in attacking the motives of the chief protagonist in the historic struggle were quite effective. The insinua-

(*Please turn to page* 262)

BOOK REVIEW

Tito's Promised Land
By ALEX N. DRAGNICH

For the many Americans who wonder just how good an ally Tito is, this book does much to erase the question mark which Yugoslavia has become. How Communism came to Yugoslavia, what it is doing to the country and what it intends to do. Professor Dragnich's story is the first to be written by an American. It is an eyewitness account, during several years of residence in Yugoslavia and on conversations with thousands of Yugoslavs both in and out of Tito's government.

Rutgers $5.75

Why Over-Conservatism in Managment Attracts Financial Raiding

(*Continued from page* 261)

tion, very difficult for Mr. Wolfson to disprove, was that if Montgomery Ward got into his hands the company might lose its identity, so to speak, and become just a part of the "Wolfson empire." It was also asseverated that Mr. Wolfson had his eyes on the $30 million government bond cache, some of which it was alleged would come in handy in building his empire. This was an insinuation apparently borne out by the fact that the companies representing his principal acquisitions, had very healthy cash positions. Merritt-Chapman & Scott, for instance, had $3.8 million in cash and net working capital of slightly more than $7 million. Devoe & Raynolds' current assets included $6.7 million in cash and U. S. Government obligations and its net working capital amounted to $16.1 million. New York Shipbuilding, another one of his acquisitions, had cash amounting to $5.1 million which in itself was approximately $1.6 million greater than total current liabilities, while net working capital amounted to $15.3 million. Apparently, these impressive financial positions had attracted the keen eye of young Mr. Wolfson.

It is obvious that the Montgomery Ward fight could never have arisen had the Avery group changed their ultra-conservative policy, even as late as several years ago. But, they could not agree, with the result that they exposed themselves to attack from the outside.

Still, it is clear that Mr. Wolfson's criticism of Mr. Avery's overly conservative policies was based largely on hindsight. After the end of World War II, many thought that a depression was inevitable so that Mr. Avery was by no means alone in his pessimistic estimate. But, having taken this stand, his policies were logical in their development since, if he believed a depression was coming, it was clearly his duty to protect the stockholders by maintaining as strong financial position as possible. In this, at least, he succeeded mightily. Now that the stockholders finally backed him up by a vote of confidence, the possibilities are strengthened

t a more progressive manage-
ent policy will be followed, in
e pursuit of which, the ample
easury obviously will stand in
od stead.

Mr. Wolfson, of course, denied
e charge that he was interested
any possible advantages that
ight be gained through the huge
ontgomery Ward treasury. In
rn, however, he proved vulner-
le to the criticism that there
as not much justification for his
aim that he could improve the
rnings position of the company
view of the fact that the four
mpanies controlled by him and
s associates did not fare too
ell last year so far as their own
rnings were concerned. Ap-
rently, all of these companies
perienced declines in earnings
that period. This rendered his
aim to managerial superiority
mewhat less than convincing.

The moral of this fascinating
ample of corporate strife seems
be that if management refuses
use its facilities to the full ex-
nt, it is apt to invite trouble
om outside sources which may
e an opportunity for gaining a
othold. Such prospect can be
ery alluring to outsiders when
e available cash resources of a
mpany are as tempting as they
ere in this case. But the out-
me of the Montgomery Ward
ght will be constructive in loos-
ing the latent creative forces
ithin the company. Finally, it
n be said with some justice, that
his particular type of struggle
or control could not have occurred
ith respect to the actively pro-
ressive concerns in this country.
anagements of such organiza-
ions have taken good care,
hrough sound policy, to see they
re safe from attacks of this
ature.

An Aftermath of the N. Y. Central Fight

Although there were no seeth-
ng surface indications of New
ork Central stockholder unrest
t the time Mr. R. R. Young be-
an his proxy fight to gain con-
rol of the road, his reputation
s a railroad revitalizer was
nough to gain him sufficient
tockholder proxies, in addition
o those he controlled, to make
him victorious over the William
A. White group. It is now nearly
year since Mr. Young seated
himself as Board Chairman and
brought in Mr. Alfred E. Perlman
s Central's new President.

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Why Over-Conservatism in Management Attracts Financial Raiding

(*Continued from page* 263)

Together with their associates these men have done a good job in a relatively short time. Outstanding among new management's achievements was the conversion of 1954 first half-year deficit of \$6.7 million to a net income of \$9.2 million for the year. The road's cash position including temporary investments stood at \$59.9 million at the beginning of 1954, but by June of that year had sunk to \$32.9 million. Through decisive action to control expenses, the company's cash position before the year ended had been brought up to \$62.4 million. Obviously, new management, in so short a time has gotten off to a good start.

Nevertheless, it came as something of a shock in mid-April 1955, to have Mr. Young ask stockholders at the coming annual meeting to approve a resolution whereby Central would reimburse him and associates actually the Alleghany Corp. in full for their expenses incurred in the 1954 proxy battle. The sum involved amounts to about \$1,308,000. This request by Mr. Young represents an about-face of his attitude at the time the contest was taking place when he said stockholders should not be called upon to pay candidates' expenses in board contests. Another shift by Mr. Young in less than a year's time is his advocating rejection of a resolution to establish cumulative voting for the election of directors. This stand is in contrast to his previous position when he said cumulative voting for directors was a right that could not be justifiably denied to stockholders. Such flexibility in management policy can cause a good deal of eyebrow-lifting among stockholders.

The Struggle for Niles-Bement-Pond Control

This is another of the more recent "battle of proxies". Its climax came early last month when at NBP's annual stockholders' meeting, protagonist L. D. Silberstein emerged victorious over management, winning control by a vote of 473,941 to 306,

54. In this contest, no charge was leveled at management for its conservatism, ultra or otherwise. The gist of Silberstein's criticism was Niles-Bement-Pond, a company that could trace its history over 95 years and had one of the best names in the machine tool industry, was being run by a tired management. He accused it of relying too much on NBP's reputation and not enough on forward thinking and forward planning. Such charges are almost certain to win converts who are willing to believe them, being, as they usually are, ambiguous and impossible to disprove. Something more concrete is the fact that NBP, in addition to its fine reputation, had cut its bank loans during 1954 from $6.4 million to $6.2 million, and closed the year with total assets of $45.2 million, including $3.6 million cash, and net working capital of $21.5 million. Putting all this together made NBP a tempting proposition for an ambitious industrial empire builder".

It would appear from one angle that the old management was asking for trouble because of its niggardly distribution of net earnings to stockholders. Undoubtedly, among these were some who were disgruntled and more than willing to join up with anyone who promised more, directly or by implication. The old management apparently sensed or was aware of stockholder unrest, distributing $2.55 in dividends last year, out of net earnings of $4.97 a share. This is in contrast to the $1.50 a share in dividends paid in 1952 when net earnings amounted to $5.20 a share. Such a display of generosity came too late, especially when management further weakened its position by its proposal to exchange 600,000 shares of NBP unissued stock for approximately one million shares of Bell Aircraft. Here was a strange move, especially in view of management's expenditures on research and development, acquisition of new product lines and the development of improved and new products. Regardless of the advantages, if any, that might accrue, the proposal unquestionably won Silberstein more stockholder support. He blocked the deal through legal action, the Court holding that a "substantial question exists as to the legality of the contract." NBP's management, it seems, unwittingly played

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What First Quarter Earnings Reveal

(*Continued from page* 230)

and home furnishings.

In the following, we present comments on the first quarter earnings of several of the more important companies which have issued their reports for the period.

ALLIS CHALMERS MFG. CO. Net income for the first quarter of 1955 was $5.9 million, compared with approximately $5.6 million for the corresponding period of 1954. On a per share basis, the comparison was not so favorable owing to an increase of about 500,000 shares in the common stock arising from acquisitions and conversions of preferred stock. On the common stock capitalization outstanding during the March quarter, 3,795,151 shares earnings were $1.47 a share, compared with $1.68 a share on the 3,276,001 shares outstanding in the March period of 1954. Features of the report were the increase in net sales billed in the comparable periods of from $123.6 million to $126.3 million. At the same time, there was a substantial shrinkage in unfilled orders of from $173 million to $136 million. Apparently, the same trend of declining defense production which marked 1954 has continued on into 1955. The two recent acquisitions, Gleaner Harvester Corp. and the Baker Manufacturing Corp. will add both to backlog and sales in the present year, partially compensating, at least, for the loss of defense business. The company is aggressively pushing its expansion and promotion programs and, according to official statements, it is possible that sales will attain levels comparable to those of 1954. On the basis of earnings shown in the first quarter, it seems quite in order to project per share earnings for the full year at between $6 and $7, at a minimum, on the larger number of outstanding shares. The $4 dividend is well covered and could be increased in one form or another before the end of the year.

NATIONAL LEAD CO. This company turned in an excellent first quarter report. Sales were up 19% over the corresponding period of 1954, and net income 25% higher. Figures for sales and net income are as follows: $119.4 million against $100.6 million; and net income, $10 million, against $8 million. This was equivalent to 84 cents a share compared with 57 cents a share for the same period last year. Increase in sales was due to higher demand for new products and the higher dollar value reflected increased physical volume. Demand for products varied. Thus, it is indicated that sales of mixed paints, lead pigments and fabricated metal products were higher, principally due to the high level of construction activities. Sales of the Doehler-Jarvis division were undoubtedly aided by the increased tempo in automobile manufacture. It is probable that continued progress has been made in the titanium division. On the other hand, the level of production for railroad purposes is in need of improvement. The company has expanded its efforts in the atomic energy field. Of particular interest for the future are operations in titanium through the Titanium Metals Corp., owned jointly with Alleghany Ludlum Steel Corp.; nickel, through the Nickel Processing Co. of which National Lead owns the majority stock interest; the new product, Rubarite (Rubarite, Inc.), owned jointly with Goodyear Tire & Rubber Co. and Bird & Son, Inc.; and, of course, atomic energy developments in which this company is active in connection with the Atomic Energy Commission on various projects. Last year, the company earned $3.05 a share. Based on first quarter returns and the generally satisfactory outlook for sales in the balance of the year, earnings for 1955 could well approach $3.50 a share. With the present regular dividend at 50 cents quarterly, or $2 annually, it should be possible to duplicate the extra of 30 cents a share paid at the end of last year. This would bring total dividends up to $2.30 a share, compared with $2.10 in 1954.

ALUMINUM CO. OF AMERICA. Both sales and net income increased substantially in the March quarter, as compared with the corresponding period last year. Sales jumped from $163.1 million to $197.7 million and net income rose from $8.3 million to $17.4 million. This was equivalent to an increase of from 78 cents a share to $1.63 a share, or a gain of more than 100%. Higher prices posted last summer and increased again in the early part of this year have afforded the company a satisfactory price basis. This has resulted in a sharp increase in the operating ratio and, hence, accounts for the unusual increase in per share earnings. It is understood that a good deal of new business originates from new products. Exterior surfacing of both old and new structures with aluminum in distinctive colors is contributing substantially to the rise in operating revenues. The 100% stock dividend will take effect May 10, with the when-issued stock selling at about 55, equivalent to 110 on the old stock. A new cash dividend rate of 25 cents a share has been established on the new stock. This is equivalent to 50 cents quarterly on the old stock, on which the cash dividend was 40 cents a share, prior to the split. Apparently, ALCOA is headed for a banner earnings year. On the basis of first quarter earnings, as reported, and the satisfactory outlook, it would not be unreasonable to expect earnings of $3-$3.25 a share on the new stock.

NAT'L DAIRY PRODUCTS CORP. . . . Sales, net profits and earnings per share rose moderately during the first quarter of 1955, as compared with the corresponding period last year. Sales were about $3 million higher at $302 million for the quarter; net profits rose from $7.4 million to $8.4 million. Per share earnings went up from 55 cents a share in the March quarter of 1954 to 62 cents a share in the similar period this year. Practically all divisions, including foreign operations, are expanding. Demand for the company's products has increased in England, Canada and Australia. The company states that larger plant facilities will be required in Germany. At home, higher demand for basic products—Kraft cheese, milk and ice cream—has compelled the management to construct new plants, four of which have been completed and some of the others already under construction. Last year, the company earned $2.77 a share on the split stock (2-for-1). A rise to about $3 a share is seen for 1955. The present dividend is 40 cents quarterly which could be supplemented by an extra according to the satisfactory earnings prospects for 1955.

WORTHINGTON CORP. . . .

Sales for the quarter are not given but net income was $1,818,-387, compared with $1,782,590 in the corresponding period last year. Despite the increase in net and because of the larger common stock capitalization—1.3 million shares against 1.08 million—per share earnings were lower, at $1.33 vs $1.54. Foreign operations are increasing in response to higher demand for production from Mexico, Germany and Italy. In reflection of the stronger outlook for foreign operations, the company has secured a $4 million credit from the Export-Import Bank. Important domestic operations are related to expansion in the air-conditioning field; also in electric control devices. It will be necessary to build up new business in these and other branches in order to compensate for the decline in unfilled orders which at the end of the year was reported at just under $50 million. Much of this decrease occurred in heavy goods. However, increased emphasis on sales of air-conditioning equipment, pumps and compressors, liquid meters and equipment for construction and mechanical power transmission is expected to increase the backlog by the end of the year. In any event, according to the first quarter returns, the company should earn over $5 a share this year on the increased common stock outstanding. The dividend is 50 cents quarterly. Last year, a year-end dividend of 50 cents a share supplemented the regular payment. On the basis of anticipated earnings, a similar extra could be paid this year.

EASTMAN KODAK CO. . . . For the twelve weeks ended March 20, sales were $149.1 million against $131.8 million in the corresponding period of 1954. Net profit rise of 20% compared with the 15% rise in sales, indicating a sharply enlarged operating profit margin. Net profits were $14.6 million compared with $12.2 million for the same period. Earnings were equivalent to 84 cents a share compared with 70 cents a share in the March period last year. In the second quarter, the 5% increase in common stock outstanding, after the stock dividend, will tend to dilute per share earnings proportionately. While sales of basic products, as in photographic equipment of all kinds, has been satisfactory, the important chemical division has lagged somewhat but, in view of the extensive preparations to speed up development of various new branches of the chemical field, notably polyethylene, a considerable rise in such products is anticipated. Furthermore, very important progress is being made in foreign operations. Net additions to property are very substantial and have shown a tendency to rise in each year since 1951. Last year's earnings were $3.99 a share. It is expected that this year's earnings will approach $5 a share.

How Long Can Boom in Steels Continue?

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working at peak efficiency. Such starting-up costs have been very substantial in recent years. At the moment they are low, because not many new major installations have recently come into production. Pittsburgh Steel and Allegheny Ludlum are still working hard to speed up newly installed rolling mills, but these companies are the exception, rather than the rule.

Scrap costs remain relatively low compared with 1952 and 1953 and the steel mills have large inventories of scrap, so that it is not likely that their profits will be pinched from this source for the rest of this year. A recent slight dip in scrap prices probably reflects record breaking fabrication of steel by metal users whose operations generate scrap, although it may also indicate that steel operations are approaching their peak for the year, and the demand for scrap may ease a little during the Summer.

Dividend Outlook

The earnings of steel companies in the first half will be running at least 50 per cent better than in the same period of last year. Earnings may be able to make an equally favorable comparison during the second half of the year. Since profits have risen sharply, many steel companies have taken action to increase the stockholders' return, and further dividend increases will probably be announced by other companies in the months to come.

In several cases—notably U. S. Steel, Republic and Armco—the dividend boosts have been at-

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How Long Can Boom in Steels Continue?

(*Continued from page* 267)

tended by stock splits, and it would not be surprising if several other companies would do the same. Bethlehem Steel has been studying a possible stock split, but action will certainly be deferred until the proposed issue of convertible debentures is floated. The declaration of extra or increased dividends in January and February was a bit contra-seasonal, since most industries wait until the second half to make larger distributions. But the upturn in steel operations and earnings last year came a little too late to be reflected in more liberal dividend payments for 1954. And when it became evident that the recovery would carry through well into 1955, directors of major steel companies felt there was no reason to wait until the end of the year to improve the return of the shareholders. In some cases, these early extras and increased dividends may be supplemented in the final quarter by year-end extras, if the trend of the steel business remains favorable until the final months.

The working capital positions of U. S. Steel, Bethlehem and several other steel companies have been reinforced by financing and this is a factor which is making possible more generous dividend payments. U. S. Steel floated a $300 million issue of debentures, to replenish working capital, which had been reduced since 1950 by the expansion program of over $1 billion. This company now has working capital of close to $800 million—more than ever before.

Similarly, Bethlehem proposes an issue of $191 million of convertible debentures—a highly popular type of offering. If this issue goes over well, as is now indicated, it may set the pattern for other steel companies which have dipped heavily into their liquid assets or have borrowed money to finance construction, and which are proposing further investments in the years to come.

The steel industry has come to the fore as a dynamic growth industry. To its increased glamor, resulting from its depression-resisting performance last year, the major steel companies are now adding the prestige that comes with aggressive expansion plans for the future.

Leaders of the industry are convinced that within 15 years, steel capacity will have to be increased by 50 to 60 per cent, bringing the total to 180 to 200 million tons a year. This is expected to result merely from continuation of the long term trends in per capita steel use, as well as from the growth of population and gross national product.

Steel executives feel that their stocks are by no means overpriced, when they sell, as at present, for around the book value. For this book value represents vast assets whose replacement at current price levels would cost at least twice as much as the figure at which they are carried. It costs nearly $300 a ton, for example, to build brand new steel capacity, although older plants can be expanded at a rate about one-third of that level.

If steel operations remain at close to capacity levels for the rest of this year, it is likely that a new wave of plant expansion will be mapped, about two years earlier than it had been thought this would be necessary. But the demand for steel has been so dynamic that such expansion may have to be accelerated. Already, there are signs this year of expansion plans being approved which had not been thought imminent a year ago.

Armco, for example, has undertaken a $60 million program since the beginning of this year. It will entail adding substantially to open hearth capacity, because this company has been operating at full capacity not only during times when the rest of the industry is active, but even during long stretches of the recession of 1954. Further basic expansion on the Atlantic seaboard, in the Chicago area and in the Southwest also appears to be in the cards for the next year or two.

The industry is actually going to spend this year 10 to 20 per cent more than the $800 million projected for new investments at the start of the year. This enlargement of the program has resulted from the improvement of the business outlook. But these investments should not impair the expectations of shareholders for improved returns on their investments, for the working capital positions of the steel companies is strong. Furthermore, the improved price administration policy of the steel industry makes it possible for the producers to realize a fair return on any new investments. The industry has broken the restrictive cycle of the 1940's, when higher wage costs often were not adequately offset by price increases. Now it is able to get back enough in price rises to pay for any rise in costs, and also to add on a fair margin for the retirement of any debts contracted in connection with plant expansion.

The new price administration policy of the industry is particularly important in coping with any recession. The major producer, U. S. Steel, two years ago made it plain that it will meet promptly any price cuts which are instituted by its competitors. Under those conditions, the incentive for cutting prices to attract orders has been destroyed.

The labor problems of the industry are vastly improved, as a result of the good relationships built up with David McDonald, President of the United Steel Workers. A strike this year on the wage question does not seem in the cards.

Moreover, the annual wage demand which is troubling the auto industry is not scheduled to be made on the steel industry this year, on the word of Mr. McDonald himself.

From the short range standpoint, the steel companies seem in much stronger shape after withstanding the recession of last year so well. From the long range viewpoint, the industry appears to be entitled to a better standing as a growth industry. It has acquired a lower break even point and increased stability in earnings, as a result of increased diversification of its output in lightweight steels used in consumer goods industries. —END

Dividend Payers in Cash and Stock

(*Continued from page* 237)

improved facilities to increase operating efficiency and raise productive capacity. To keep pace with the promising outlook for the paper industry, Mead's plans will continue to require substantial funds for investment each year. Since 1946 to the close of 1954, its capital expenditures in connection with its program have amounted to almost $61 million. Part of this sum has been raised

through issuance of 4¼% notes and 150,000 shares of $50 par 4.30% preferred stock, the latter issue being created in 1954. The balance of total expenditures under the program was obtained from internally generated funds, including retained earnings over the nine year period to the end of 1954 of approximately $25.3 million out of total net earnings of $40.5 million.

Despite the retention of this sum to be put back into the business, Mead, in 1947, raised the cash dividend on its common stock to $1.55 annually from $1.15 paid in the preceding year. The rate was again raised to $2 in 1948, followed by 1949 distributions totaling $1.50 a share, increasing to $2.20 in 1950, plus a payment of 25% in stock. Since then, in addition to cash dividends, common shareowners have received stock dividends of 2% in 1952, 2½% in 1953, this latter payment in stock being duplicated last year, supplementing total cash dividends of $1.65 a share. Net earnings for the year of $5.8 million were equal to $4.62 a common share, as compared with 1953 net of $5.4 million, or $4.41 a share, the 1954 improvement being achieved notwithstanding the adjustment in general business conditions in that year following the peak levels of early 1953. The increased demand which set in during the latter part of 1954 and continuing through the 1955 first quarter presages substantially larger sales and earnings for Mead in the current year.

The company entered 1955 in a good financial position with net working capital of $22.7 million. Since 1946 its net plant account has grown from $23.9 million to $49.2 million and common shareowners' equity has increased from $20.8 million to $55.2 million at the end of 1954.

In 1950 when Mead paid the 25% stock dividend, the common stock ranged between a high of 32⅜ and a low of 14¾. A commitment in 100 shares even at the year's highest price level would have involved $3,237. Through stock dividends the 100 shares have increased up to now to approximately 134 shares that at today's market price of 63½, have a total value of $8,509. In the meantime, cash dividends in every year have afforded a substantial income which on the basis of current $2 annual dividend returns a yield of 8.2% on the original investment.

American Stores Co., operating 1,076 retail units is one of the larger service grocery stores and self-service supermarket chains. In the postwar period, it has been carrying out an extensive program of improvement and expansion, involving construction of new warehouses, additions to bakery facilities, and reducing the number of service stores and older-type self-service stores, replacing these with supermarkets of the most modern design. Many of these new units have been located in shopping centers and others have been constructed as individual units with parking facilities exclusively for American Stores customers. Since the end of World War II to the close of the fiscal year ended April 3, 1954, expenditures for plant and equipment totaled $58.7 million. Part of this sum was provided through borrowings totaling $25 million from the Metropolitan Life Insurance Co. on notes maturing August 1, 1967, and by use of retained earnings and other internally generated funds.

Sales in 53-week 1954 fiscal year were at a record high of $603.7 million. This was an increase of $61.7 million over the 52-week 1953 fiscal year, and although Federal and state income taxes of slightly more than $8 million were up approximately $3 million over 1953, net earnings of $7.4 million, the highest in the company's history, equaled $5.45 a common share, the only capital stock issue. In the previous year, net amounted to a little better than $5 million or $3.90 a share. On the basis of sales of $611.7 million for the 12 months to the end of March, 1955, compared with $593.7 million for the like period of the preceding year, it is evident that American Stores set new records in the fiscal year ended April 2, 1955.

Cash dividends which were increased from $1.20 annually to $1.75 in 1947, were again increased to $2.00 in 1951, this higher rate being maintained through subsequent years, including 1955 to date. Cash payments last year were supplemented by a 5% stock dividend and a similar distribution in stock was made April 1, 1955. American Stores, currently priced at 51 is selling to yield 3.9% on the regular cash dividend of $2.00 annually. This yield, of course, is substantially augmented by recent stock dividends, the possible continuation of which adds to the attractiveness of this good-grade defensive issue.

—END

1955 Prospects for Autos—Accessories—Tires

(*Continued from page* 241)

Studebaker-Packard has endeavored to translate distribution economies into profits for the units. Use of interchangeable parts and tooling equipment is less practical in this concern than for American Motors. One of the management's objectives is being attained, however, in concentration on fewer models. Packard products are being made for the so-called luxury trade and Studebaker cars for lower-priced markets. Dealer organizations are being combined in areas where better results can be achieved. In the longer term, however, it seems likely that attempts will be made to consolidate manufacturing operations.

Outlook for Accessory Companies

Prospects for accessory manufacturers are less satisfactory on balance than for motor car makers, but some companies which experienced dismal results in 1954 are destined to show decided gains. In general, competition has grown increasingly keen amongst suppliers as automobile producers have "shopped around" for concessions on major components. The threat by major manufacturers to enlarge production of their own accessories poses another problem, and this worry has been accentuated by the suggestion that motor car manufacturers may undertake production of parts if they are compelled to adopt the guaranteed annual wage theory. It has been suggested, in this connection, that motor car plants could be utilized in changeover periods for producing essential parts that otherwise would be purchased on the outside and that employees could be transferred from motor car assembly lines temporarily to production of wheels, bumpers, frames, carburetors and other components.

Among accessory companies which are participating in Chrysler's recovery are Electric Auto-Lite, Motor Products, Midland Steel Products, Universal Products, Arvin Industries and probably many others. Borg-Warner is feeling the benefit of the widespread adoption of automatic transmissions, of which Ford is a major customer. Electric Storage Battery is reported to have felt the benefit of a rise in demand for original equipment batteries. In general, mixed financial results are likely to be shown in the accessory group with outstanding recoveries offsetting moderately lower results in some cases.

Tire and Rubber Manufacturers

Of all the participants in the automotive industry's activities, rubber tire manufacturers probably are best situated at the moment. All indications point to a good year for leading factors. Although original equipment volume is important for the large manufacturers, replacement sales account for a greater proportion of profits. Two developments are contributing to bright prospects for this business. Growing popularity of the tubeless tire has had an impact on sales. Virtually all casings supplies as original equipment now are tubeless tires, and they command a slightly wider profit margin than old fashioned tires and tubes.

Replacement sales ordinarily follow closely the production curve of original equipment sales two years earlier. This means that replacement business for 1955 should be substantial in adjusting to the excellent 1953 totals for new motor car sales. In addition, many motorists have adopted the practice of using snow-treads in winter, so that the number of tires in use for each car now is larger than formerly. Sales of tubeless tires to owners of used cars are reported increasing in response to vigorous promotion.

Prospects for truck manufacturers have improved recently as a result of the recovery in general industrial activity. Extension of highways and modernization of distribution channels have spurred dependence on trucks. The outlook for gains in sales of truck tires have improved correspondingly. —END

Investment Clinic

(*Continued from page* 245)

(1) Since the program involves periodic investing, the investor should determine the sum of money he can reasonably expect to have available for investment, when required, under the plan. This means that he must have, from business or profession, a more or less assured income. Since younger people are not likely to have arrived at this point as yet, it is obvious that the plan is more suited to those who have already commenced to establish satisfactory earning power. That would be individuals in their thirties and, naturally, middle-aged persons who are even better placed owing to their longer business or professional careers. "Dollar-averaging" is not suited for elderly persons as their normal life expectancy would preclude an extremely long-range investing program such as "dollar-averaging" involves.

(2) Purchases should be made at regular intervals, monthly, quarterly or semi-annually. Probably, for most individuals the most convenient way would be to make purchases on a quarterly basis.

(3) Purchases should be made at whatever price is prevailing at the time the periodic purchase is called for. This is just as true when the price is high as when it is low. To postpone purchases because the prevailing price may seem too high would upset the entire plan. It must be remembered that the value of the plan is that it enables the investor to obtain *average* prices over a long period. He is not expected to outguess the market. By following the plan explicitly, the investor, over a period, will average the cost of his purchases *down*. This spares him from the necessity of attempting to decide for himself at which price the stock should be bought, or at which price it should be left alone. Obviously, the plan possesses the virtue of eliminating guesswork in selecting the "right" time to buy or the "right" price.

(4) "Dollar-averaging" can be employed only in the same stock or stocks over a period of years. For that reason, only certain classes of stocks are suitable for investment, according to this method. These stocks, by necessity, must be of high grade and leaders in their field. The reason for this is that the stock must have a well established earning power, with strong finances to enable the companies to withstand temporary recessions in business and to pay dividends regularly. Speculative stocks, with their normally greater degree of risk, cannot be considered for "dollar-averaging." This is a very im-

portant point. Therefore, investors who intend to embark on this plan must make certain in advance that they will limit themselves only to the soundest issues.

(5) The soundest "growth" stocks are best adapted to "dollar-averaging". Since the basic purpose of "dollar-averaging" is to accumulate capital over a long term, the most proved class of stocks suited for the purpose are those representing companies which have the best chance of indefinite growth.

The essential features of "dollar-averaging" have been described but it should be cautioned that investors should not attempt this type of program unless fully informed on the details of its operation and willing to abide by its strictures. Otherwise, confusion is likely to result so that the investor who is not equipped to follow such a program might do better by satisfying himself with a more flexible approach. Finally, it should be obvious that the fulfillment of the plan is dependent on adopting a non-emotional approach, in which patience and steadfastness of purpose must play an important part.

In the accompanying table, we present an illustration of "dollar-averaging" over a 15-year period in Standard Oil of New Jersey stock. In this program, $2,000 a year was invested, in addition to which dividends were reinvested in the stock annually. As will be seen, the amounts invested increased each year, enabling purchase of an ever increasing number of shares. depending on the market price at the time. At the expiration of the 15-year period, the investor would have owned the impressive number of 1,497 shares (after the split-up and stock dividends). On this number of shares, the dividends now received annually would be $8,932. Including dividends reinvested, the total invested in SONJ would have been $60,629. The present value of the shares is approximately $149,700. —END

For Profit and Income

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Grant, Union Pacific, Swift, Halliburton, Owens-Illinois Glass, Pitney Bowes, Republic Pictures,
(*Please turn to page* 272)

Why Over-Conservatism in Management Attracts Financial Raiding

(*Continued from page* 265)

into Silberstein's hands.

Decca Records

This was a short-lived affair, attracting little attention from investors in general. Yet, it shows that company management may be exposed of attack from not only "outsiders" trying to get "in", but from previous "insiders" attempting to get former associates on the inside "out". In this case, the attack came from Major G. L. Lloyd whose principal target appeared to be Decca's President Rackmil to whom he referred as a "one-third part-time president". This accusation might have had some basis in truth depending on how Mr. Rackmil divided his time between Decca and Universal Pictures, its subsidiary. Mr. Lloyd's position as an attacker, however, was not too strong to begin with inasmuch as the many of the actions taken by management were in a five year period during which he served as a director of the company. When the showdown came at the annual meeting of stockholders in April, 1954, 936,758 shares were voted in support of management, overwhelming the opposition slate which won 147,849 votes.

Note: The table attached to this article contains a list of companies which have had an indifferent record for the greater part of the post-war period. In the last few years, in particular their performance as to earnings and dividends has contrasted poorly with the great body of companies, as a whole. It is quite common, under these circumstances, for stockholders holding shares in companies with this type of background to voice dissatisfaction sooner or later. Should such dissatisfaction with management mount, it would not be surprising if management-stockholder should develop. We do not wish to infer that this may but it is not unreasonable to conclude that, unless their earnings trend is definitely reversed for the better, the managements will be called to account by stockholders, one way or another. —END.

BOOK REVIEWS

Labor Productivity in Soviet and American Industry

By WALTER GALENSON

The continued growth of Soviet industry depends in large part on whether output per man can be increased in the future as it has been in the past. Here for the first time is a careful analysis of how the efficiency of the Soviet worker measures up to that of his American counterpart. Industries considered include extractive, heavy manufacturing, and consumer goods. Much of the information comes from Soviet technical journals not fully exploited before.

Part I discusses the productivity concepts employed and the problems involved in statistical comparisons. A careful analysis is made of the significance and the limitations of the productivity concept, of Soviet statistics and their comparability with American statistics.

The industries are presented in Part II, with figures on productivity in the two countries. Separate chapters describe coal mining, iron-ore mining, crude oil and natural gas, iron and steel, machinery, cotton textile manufacturing, shoe manufacturing, and beet sugar processing.

In the last part, the author summarizes and evaluates his findings and speculates on the future trends in Soviet productivity. He says, for instance, "Even if Soviet productivity rose at what I should regard as the outside limit of 6 percent per annum for twenty years, and if U.S. productivity continued at the normal rate of 2 percent, there would still be a difference between the levels of the two countries at the end of twenty years. The projections . . . bring home . . . the magnitude of the task facing the Russians in their quest for a level of industrial efficiency equal to that of the United States."

The book teems with facts and figures, all of them from sources difficult to locate except herein, and many of them are presented in illuminating tables.

Columbia Univ. Press $5.50

The Management Team

By EDWARD C. BURSK

What is it that makes a good team amount to more than the sum of its parts, so that it consistently "plays over its head"? One aspect of this problem —a vital concern of every leader, and of every member, of any management team—is the delegation of authority. Another is effective control, which colors every facet, every difficulty of delegation. How much rein do you give a thoroughbred? A third aspect—communication—involves the two basic questions in all human relationships: how do you make people understand? how do you achieve understanding yourself? These are some of the vital questions discussed in this book, which, organized into a coherent whole by Mr. Bursk, present the substance of the distinguished addresses and the down-to-earth panel discussions of the 24th National Business Conference of the Harvard Business School Association held at Harvard in June 1954. This book is a must for every actual and potential executive.

Harvard Univ. Press $4.00

For Profit and Income

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Revere Copper & Brass, Scott Paper, American Tobacco, Reynolds Tobacco, Caterpillar Tractor, Briggs & Stratton, Federal Mogul, Lees & Sons, Lehigh Portland Cement, Union Bag & Paper and National Theatres. On the other hand, while they are a small minority, more stocks are currently at new lows for 1955 than in some time. They include Amerada Petroleum (despite the fact that it has heretofore been the most popular single issue with mutual funds), Boeing, Colgate-Palmolive, Davega Stores, Falstaff Brewing, Pullman, Grumman Aircraft, Ex-Cell-O, Hollander, Lehn & Fink, Martin, Monterey Oil, Northrop Aircraft, Pennsylvania Glass Sand, TXL Oil, Hiram Walker, York Corp. and Schenley.

Oils

Indications still are that this will be a generally good year for the oil industry, with earnings perhaps 10% or so above 1954's. However, domestic crude oil production is somewhat excessive, refinery capacity is well above present consuming needs, and restraint will be needed to avoid over-production of gasoline and resulting price easing. Oil stocks have had a major rise. Leading issues remain among the soundest long-pull holdings. But it might be well to go slow on new buying for a while. —END

What's New?

(*Continued from page* 253)

the United States, operates 12 low-cost plants strategically located near important industrial centers serving most of the consuming areas east of the Rocky Mountains. It also owns 6 plants in Latin America. Last year, sales reached a record total of $84.4 million, 7.3% above 1953 and more than double the post-war year 1946 volume of $39.8 million. Of total annual sales volume, about 30% originates in countries south of the border, a rapidly growing source of business and normally a stabilizing influence. Cement consumption reached an all-time high in 1954 and seems destined to duplicate this performance for years to come, with earnings rising to new high levels. Last year, Lone Star earned $4.33 per share, a considerable gain over the $3.27 a year previous. In the first quarter of 1955, both sales and net moved ahead amounting to 87 cents a share compared with 81 cents twelve months ago. The stock has pushed up to new highs in the recent past, but it does not seem overvalued in view of the longer-range outlook.

The Trend of Events

(*Continued from page* 212)

plies if they embark on a policy of paying less for gas than it's worth in the free market.

BUSINESS FAILURES . . . The House Appropriations Committee has forecast for the coming fiscal year "the highest number of bankruptcies recorded in the history of the country, greater even than in 1932." This startling announcement, however, should not be accepted at face value. While the Committee states that failures will reach 75,000 in the fiscal year ended July 1956, compared with 65,000 for the current fiscal year, it does not state that the great bulk of these failures constitutes business mortality among individuals, most of them in the small entrepreneur category. Excluding these fatalities, business failures in 1954 were only slightly in excess of 11,000 and will probably not exceed this figure in 1955.

The Appropriations Committee figures do show that the little man in business is having a harder time than ever. Since most of them have scant financial means, they are likely to run into difficulties at the first setback. On the other hand, the increase in individual business mortality must be considered a normal development in view of the increase in the population.

It would appear, therefore, that aside from being an eloquent commentary on the state of affairs among the marginal categories of small businessmen, the figures released by the Appropriations Committee in themselves should not be considered a valid index of business conditions.

—END

BOOK REVIEWS

Principles of Management

By H. KOONTZ and C. O'DONNELL

In this important new treatment of the principles of management the job of general management is emphasized rather than the more specialized and technical tasks. The book covers the five functions of managers — organizing, staffing, directing, planning, and control of an enterprise. It stresses the principles and techniques underlying the managerial process and the individuality of their application to all forms and levels of management.

It is the authors' conviction that the job of the manager, as a manager, is the same in its essential functions whether he is a top executive of an enterprise or the lowest supervisor. In any position where an individual is responsible for the cooperative accomplishments of others, it is his task to get things done through obtaining co-ordination of the group members.

The book represents a distillation of the experience and inquiry of many managers and students of management. In addition, the authors have drawn original data and reflective analysis from their experience as managers and their opportunity in business, government, and other enterprises. The approach and materials presented have been tested in classes, in a large number of institutes, conferences, and management training programs.

This outstanding work provides a conceptual framework within which the principles and techniques of management can be analyzed and explained and encompasses within this framework an up-to-date statement of the theory of management. Students of business administration and managers at all levels will find this a stimulating treatment of management drawn from practical experience.

McGraw-Hill $6.50

Captain Cut-Throat

By JOHN DICKSON CARR

In this new historical novel the author of *The Bride of Newgate* and *The Devil in Velvet* transports us to those desperate days when—like a lance pointed at the heart of England—Napoleon held his invading armies poised across the Channel.

England's fleet had been lured away, her coast was defenseless. Why didn't the Emperor invade? Perhaps the answer was tied to another question: Who was the unknown assassin terrorizing the Grande Armée in its Boulogne encampment . . . murdering sentries, and leaving his derisive message skewered to his victims' bodies: Yours Sincerely, Captain Cut-throat.

Caught in this crucial moment of history, Carr's characters move through the fantastic figures of his drama, from Paris to Boulogne, from the Hall of Mirrors to the Emperor's Pavilion, from the Field of Balloons to the cliff-top at midnight. The tension of those last days when armies waited while English and French spies matched wits in a desperate and deadly game has been reconstructed here in all its color and immediacy by a master of his craft.

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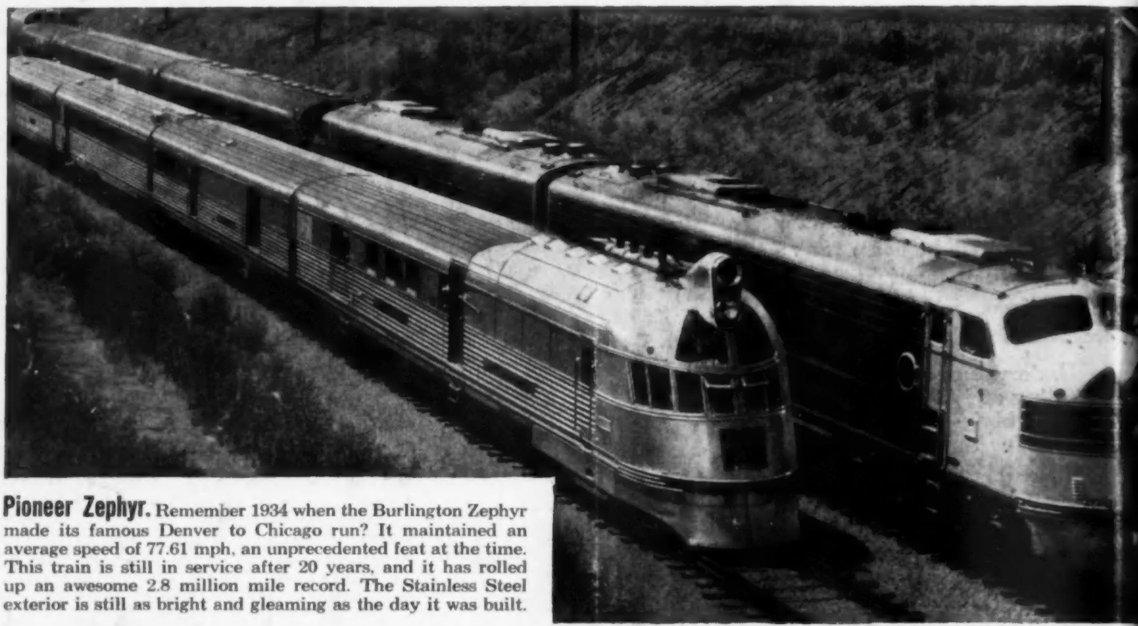

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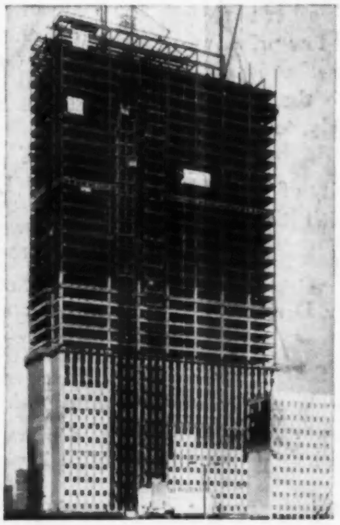

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